

Banks, S&Ls compete for high-interest funds

by Tom Dobrez

Battalion Reporter
The government has created a new federally insured bank account to help banks and savings and loan companies compete with high-interest money market funds. But in Bryan-College Station, the real battle is between regulated banks and thrift institutions.

The main reason for setting up the accounts on the national level was to help lure the \$227 billion invested in the money market back into government-insured accounts.

Locally, experts agree that this should happen and that money market brokers aren't going to attempt to compete.

Davis McGill, branch manager for A.G. Edwards in Bryan, explained the brokers' attitude.

"We have to take care of our client," McGill said. "If the banks offer a better investment, I'm going to tell my investors to take it. I figure if I take care of my clients, they will take care of me."

The new program set up by the Depository Institutions Deregulation Committee allows banks and savings and loan companies to offer a better deal.

First, the new account allows institutions to set their own interest rates. In the past, a ceiling was placed on the insured accounts. The popular 5.25 percent passbook account is a prime example of this type of regulated account.

Cecil Peters, senior vice president in charge of marketing for Brazos Savings in Bryan, said being able to set interest rates is a plus for the new accounts.

"Our rate will vary from day to day, but we will never be lower than the money market fund," Peters said. "Their rate is based on market conditions. Our rate can be set at whatever we want."

The same advantage also can be detrimental to a bank or savings and loan company. Glynn Williams, president of First Federal Savings and Loan Association of Bryan, said the industry should be cautious when setting rates.

"The banks and savings and loans should not set rates that are unreasonable," Williams said. "They should be aggressive

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as far as business, but they shouldn't put themselves on the line by trying to lure new customers with unreasonable interest rates."

Besides high interest rates, the new accounts offer a second advantage over money markets — the depositor's money is insured. Although few people have lost money in the market funds, the added incentive of a depositor being guaranteed returns adds sauce to the banks' already juicy deal.

Williams said the insured clause will help lure investors who are using the market funds for their high interest rates.

"There are a few benefits the market fund offers but the idea of our accounts being insured will cause a great deal of investors to switch," he said. "This takes all the risk out of the investment."

Moreover, the banks and thrifts suggest that the local

money flowing into the new accounts will be used to finance local housing needs and community projects. In contrast, money funds often "distribute local capital elsewhere, much of it overseas," Peters said.

"The money market's hands are tied," he said. "They must invest in securities. While at Brazos Savings, we can take the money and invest it back in the community if we choose."

The fourth, and perhaps the most important advantage, is the flexibility of the new accounts. Depositors will be able to take their money out when they want to, unlike some money markets that require a day or two notice. At the beginning of the new year, many of the new accounts will be converted into checking accounts and still will receive high interest.

Brazos Savings already has set a date for the convergence.

"On Jan. 5, these accounts will become checking accounts receiving the high interest," Peters said. "This interest will be compounded daily until the person's balance goes under \$2,500, the minimum balance required to start an account."

The minimum deposit was set by the DIDC upon request from the industry in order to prevent depositors from transferring money from low-interest passbook accounts to the higher-yielding accounts.

But locally, bankers don't see minimum deposit requirement as a major problem.

"The percentage of our assets located in the passbook accounts is not significant enough to hurt us even if everyone transferred," Williams said.

But will the new account be the end of the passbook savings accounts that earn 5.25 percent or less?

Peters doesn't think so. "As far as investment purposes, the passbook is pretty much of a dinosaur," Peters said. "But lately there has been a resurgence in old-fashioned thrift. Passbooks are still very buyable, especially when times

are tight. People can save their money until they reach the minimum balance and then switch."

On the surface, the minimum deposit appears to be the only drawback, but bankers foresee other trouble spots.

"We have enough rope to hang ourselves," Peters said. "The banks must express extreme caution in investing these funds because we have the power to self-destruct."

"From the customer's point of view there is no risk or major disadvantages. But the banks must apply prudent strategies to invest properly or we'll shoot ourselves in the foot. It's a challenge facing the whole finance industry. It will be a difficult job to invest money wisely."

In essence, the new accounts, which originally were set up to help banks and savings and loan companies compete with money market funds, the battlelines are drawn between the banks and thrift institutions themselves.

"There will be all sorts of gimmicks to capture new customers," Williams said. "Some of them will be bordering on deceptiveness. The key will be to be competitive but also possess sound management."

That means institutions should be careful to keep interest rates as high as possible, but not so high that the institution can't pay them.

Wood jury requests FBI evidence tapes

United Press International
SAN ANTONIO — Jurors requested tapes of the secretly recorded conversations of hitman Charles Harrelson, accused of killing Federal Judge John Wood, to launch their third day of deliberations Monday.

The panel recessed at 6 p.m. Sunday, ending 9½ hours of deliberation during the weekend without verdicts for Harrelson, his wife, and Elizabeth Chagra.

The panel was scheduled to hear four of the tapes recorded by the FBI during the 3½-year investigation of Wood's death. The tapes were submitted as evidence in the nine-week trial.

Art Nicholson, a clerk for

presiding Judge William Sessions, played the tapes of Harrelson recorded by Harris County Jail inmate John Lee Spinelli, who cooperated with the investigation in return for transfer to a federal prison.

Harrelson's attorney, Tom Sharpe of Brownsville, said he was not surprised the jury was taking several days to deliberate the case.

"How long does it take for people to regurgitate nine weeks of testimony?" he asked reporters outside the courtroom.

Harrelson was accused of shooting Wood outside his San Antonio apartment May 29, 1979, for a \$250,000 payoff from Las Vegas gambler Jimmy Chagra. At the

time, a drug smuggling trial for Chagra was scheduled in Wood's court, and Chagra had said he feared a life sentence.

Chagra is to be tried for murder later.

Jo Ann Harrelson was tried for obstruction of justice for pressuring her daughter, Teresa Starr, and other friends not to cooperate with the FBI or testify to the grand jury that investigated Wood's death.

Chagra's wife Elizabeth was also on trial for conspiracy and obstruction of justice. Prosecutors claimed she encouraged her husband to kill Wood and then delivered the payoff money to Starr.



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Black votes protected by Court's decision

United Press International
WASHINGTON — The Supreme Court, on a 6-3 vote Monday, upheld a federal court's authority in a voting rights case to order changes in the system of electing city commissioners in Port Arthur.

The justices put their stamp of approval on orders by a U.S. District Court in Washington that were expected to enhance the voting power of blacks in the southeastern Texas border town.

Justice Byron White, writing for the court, said the changes were "a reasonable hedge against the possibility that the (voting) scheme contained a purposefully discriminatory element."

The dispute stems from a city expansion in 1977 and 1978 that lowered the percentage of black population within Port Arthur's borders from 45.2 to 40.6 percent.

At the same time, the city

commission was to be expanded from seven to nine members. Under the Voting Rights Act, the election changes had to be approved.

After several new election plans were rejected, the federal court offered to approve one proposal — but only with a condition.

The plan had to be changed so that two at-large commissioners would be elected not on a majority vote, in which a winner must garner more than 50 percent of the votes, but by a plurality vote that awards the seat automatically to whichever candidate gets the most.

The plurality method would give blacks a greater chance of winning the seats.

The city appealed to the Supreme Court, claiming the plurality condition was not needed because its voting plan already gave the city's black voters at least one-third of the council's positions.

Justices Lewis Powell, William Rehnquist and Sandra Day O'Connor dissented, saying they thought the condition unnecessary.

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