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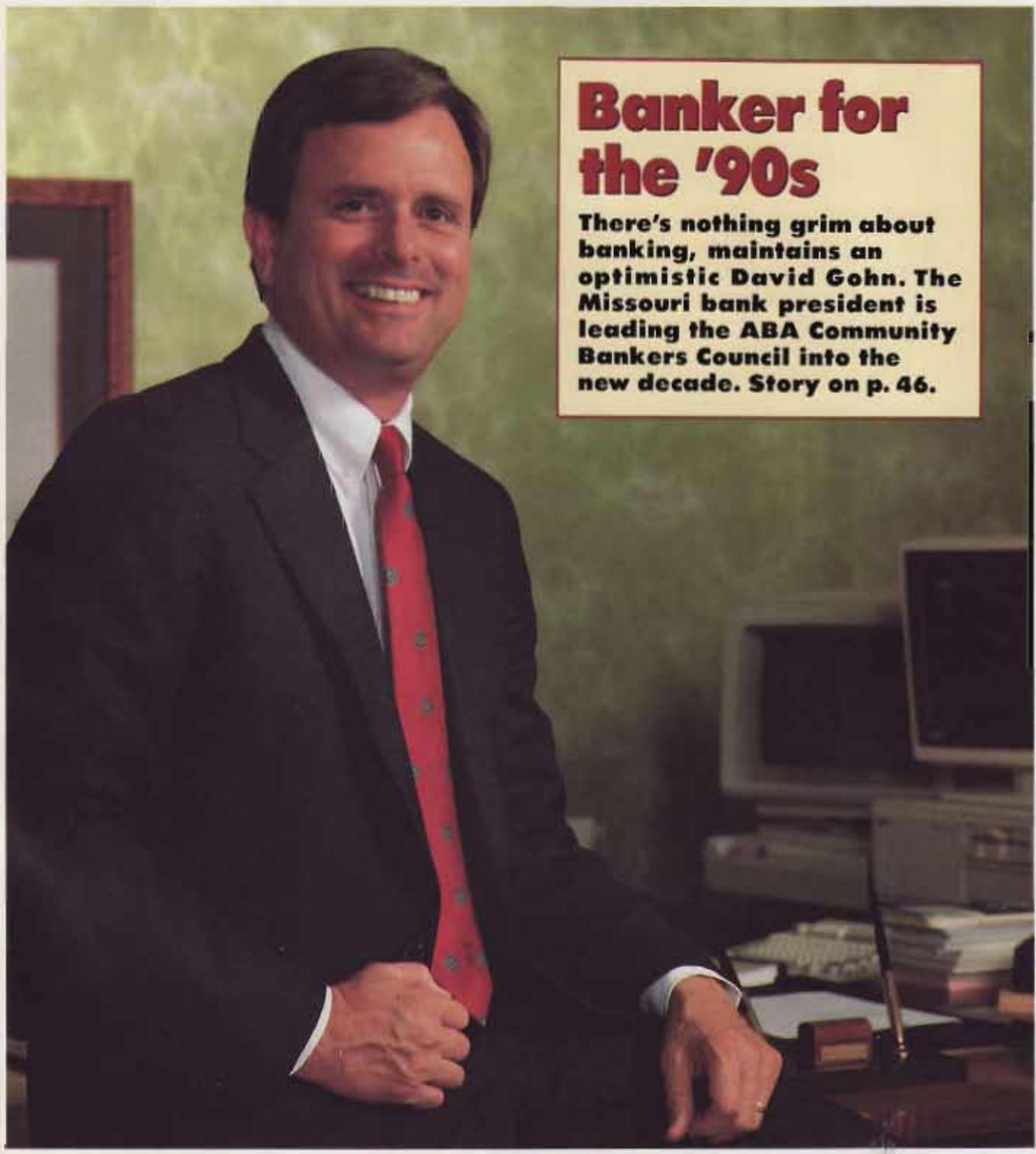
**ABA**

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# Banking Journal

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## **Banker for the '90s**

**There's nothing grim about banking, maintains an optimistic David Gohn. The Missouri bank president is leading the ABA Community Bankers Council into the new decade. Story on p. 46.**

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RTC operations p.37**

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# You can't fool an informed banker

*Whether he's dealing with bond salesmen or complicated deposit insurance issues, community banker David Gohn knows the score*

By William W. Streeter, editor

A bond salesman trying to sell a bond to David Gohn is like a car salesman trying to sell a sedan to a customer who has a copy of the factory invoice.

Walk into Gohn's office in West Plains Bank, West Plains, Mo., and you can see why. Behind the desk of the president and CEO of this \$83 million bank is a Knight-Ridder MoneyCenter rate and news terminal.

This terminal, its screen glowing a soft green, is no mere status symbol. Every time a bond salesman phones Gohn (and he always takes their calls because he manages the bank's investment portfolio), he turns to the screen as he listens to the pitch. Then he says something like this:

"Why should I pay 98 <sup>29</sup>/<sub>32</sub> for a Freddie Mac mortgage-backed pool when the screen shows it at 98 <sup>3</sup>/<sub>32</sub>?"

"When the bond salesmen hear the word 'screen'," says Gohn, "they know you know," and the price may be adjusted accordingly. Gohn believes some community bankers are victimized by overpriced bonds. That's why he's comfortable paying \$600 a month for the service. "I saved \$1,900 on one purchase alone," he says.

If you've begun to picture Gohn (he pronounces it "gone") as a fast-talking B-school graduate, stop. David Gohn, 48, is a soft-spoken, friendly man who is equally comfortable talking about gap management; deposit insurance reform; or the price of cattle at the local auction barn, one of his big customers.

**Embrace change.** Despite his easygoing

nature, Gohn represents a new generation of community bankers that have adapted to banking in the "new age" of tough competition and more-volatile economic conditions. That made him a logical choice to lead ABA's Community Bankers Council and Advisory Board into the new decade. Gohn became council chairman in October.

"The last ten years have been fast," he says, "and the '90s will be even faster. But remember, during the '70s we didn't do much of anything."

He believes that the banks that are competitive in the new decade will be those that are more willing to accept and digest change.

"When change comes at you," counsels Gohn, "don't sit back and say, 'hell no, never'; that won't work. You've got to be more positive. For one thing, you've got to be willing to reeducate yourself—every day. The skills I'm using today I didn't even know existed ten years ago—microcomputers, asset/liability management, and so on. And your staff has to have that same mental outlook, one that says, 'I can take change.'"

**"Do we have a future?"** David's father, Dan Gohn, chairman of the bank and majority shareholder, could tell you that his son has had change on his mind even before he joined the bank.

When the younger Gohn was attending Drury College, Springfield, Mo., he



Missouri banker David Gohn

analyzed the bank's statements as part of a study for an economics course. He was startled by what he found.

The bank had a loan-to-deposit ratio of 15%. It was being run so conservatively that he thought it unlikely to survive for long, which he told his father.

Although chairman, and an employee since 1935, Dan Gohn had never run the bank on a day-to-day basis. He spent most of his time running an insurance agency he owned. The bank was managed by its cashier, a long-time, loyal employee who, as David Gohn says, just didn't make a lot of loans.

"The bank was what you'd call a 'widows' bank," remarks Gohn, meaning it was operated to protect the interests of the widows who held its stock.

In time the cashier retired, Gohn graduated from college and, after a two-year stint with a bank in Springfield, Mo., he joined West Plains Bank at a salary of \$400 a month in 1966.

The young banker did just about every job in the bank and gradually moved up. The bank had only \$5 million in assets when he joined it. By 1980, David Gohn had been named president of West Plains Bank. Following his own advice, he turned the bank into a much more active



West Plains Bank counts among its largest customers Ozark Regional Livestock Auction, Inc., and Ball Bros. Forest Products. Below, Gohn visits with Ozark owner Marianna Hoover, who manages the \$75 million-a-year cattle auction business. In the photo at left, Bill (L.) and Marvin Ball (president and secretary/treasurer, respectively) meet with Gohn. The bank helped their company grow to one of the largest suppliers of hardwood pallets.



In his bank's spacious lobby, David Gohn poses with Ann West, controller (L.), and Joyce Holloway, vice-president. The mural that appears in the background, "Missouri Wildlife," by Gary Lucy, was commissioned by the bank.



Photos by Bob Fleming

lender. At one time, its loan ratio was as high as 70%. Now it hovers between 47% and 50%. The disparity between those two numbers represents some lessons Gohn learned.

"We had too many bad loans when we went much above a 50% ratio," says Gohn. "Keeping our ratio lower also allows us to price our loans better." That's because the bank isn't losing so much in chargeoffs.

At one point in the mid-'80s, when its loan ratio was high, West Plains Bank's return on assets slipped to 0.23%. "We had gotten sloppy in our lending," explains Gohn. "The examiners felt we hadn't reserved adequately, so we beefed

up our reserves. Of course, earnings dropped."

At that point, Gohn continues, "we decided we weren't going to grow the bank a nickel until we got the lending straightened out." The bank identified its problem loans, put a loan review process in place, and resumed growing—but more carefully and profitably. Its ROA hit 1.26% at the end of 1989.

**Beef and wood.** Situated in the south central part of the state, West Plains, Mo., population 8,500, is 100 miles from Springfield and about a 20-minute drive from Arkansas.

Cattle and hardwood lumber are the two chief industries, although the town's

economy is becoming more diversified. With its gently rolling terrain, the area boasts fine pasture land on which cattle are "backgrounded"—brought up to nearly full size before being shipped to feed lots in Nebraska and Kansas.

Gohn himself is a cattleman in addition to being a banker. His home sits in the middle of about 60 acres. Gohn didn't buy any cattle last year because of the threat of a drought, but normally he does.

**Competitors.** West Plains Bank has its share of rivals. Boatmen's National Bank, across the town square, is the largest bank in town. Then there are Missouri Southern Bank and West Plains Savings and Loan.

Gohn says the thrift is conservatively managed and is sound. However, though the thrift is sound, Gohn does not concede the home mortgage market to it.

David (L.) and Dan Gohn have 79 years of combined experience at West Plains Bank. They also share an appreciation of the Kalleryana pear trees that line the drive to David's house in West Plains, Mo.

About 8% of his bank's loans are single-family home mortgages. Gohn would like to double that percentage.

Doing so would help him diversify from a heavy concentration on agriculture. The bank's loan portfolio (other than home mortgages) breaks down this way: 21% commercial; 21% production ag; 10% farm real estate; and 10% consumer. The remainder consists of a potpourri of loans to individuals.

"As the town grows," says Gohn, "we think home lending is a natural extension of what we do. Furthermore, home mortgages can be a good entree for other business from the homeowner—auto loans and college loans, for example."

For the present, Gohn is not growing his ag loan portfolio. He has 60 good ag customers and doesn't plan to add more. To do so, he explains, "we would have to add staff in order to service them properly. The service we give to each ag credit is why we've got good ag business. To take on more and not be able to



Photo by Bob Fleming

support it would not work well."

**Few people, well paid.** Adding employees is something Gohn doesn't do lightly. For an \$83 million-asset institution, you won't find an abundance of employees at West Plains Bank. In total there are 37, of which 31 work in the main office and three each work at two drive-up facilities.

That kind of employee-to-assets ratio

doesn't just happen. "We work at it," Gohn allows. Profit sharing and higher-than-average salaries help keep productivity up. (The average length of service is 11 and a half years.)

So does this: When an employee leaves, Gohn often will go to the other people in that department and tell them that if they can handle the work of the person that left, they can split half the person's salary among themselves.

"Most times they can do it and are glad to," says Gohn. "We save a lot of positions that way."

**Into optics.** Aggressive use of automation also boosts West Plains Bank's productivity. The latest innovation is an optical disk storage system that converts most of the bank's files from paper to compact laser disks. Gohn read about the technology in this magazine last year and purchased an \$18,000 Dataworks system—including both hardware and software—in September.

The system is connected with the bank's IBM System/36 computer and loads all updated records onto laser disks, which become the permanent record.

"The system eliminates about 75% of all paper coming out of the computer," says Gohn. "Only certain key reports are printed out now."

The savings in storage are enormous, Gohn relates. Twelve disks—each the same size as the CDs you use in your home stereo—hold all of the bank's records for one year, according to Gohn. Yet, the biggest savings come from researching and reconstructing records and accounts using the optical system.

## THE "SECRET" COUNCIL

"I've served on the ABA Community Bankers Council and Advisory Board for five years," says David Gohn, president and CEO of West Plains Bank, West Plains, Mo., "and I keep hearing the same thing—the council and advisory board are the best-kept secret in banking."

It's not that there's anything secretive about the two bodies, says Gohn, current council chairman. Their being a part of the association as a whole means bankers don't hear about them as often as they hear about "ABA."

Gohn hopes to change that this year.

The 18-member Community Bankers Council, one of five ABA councils, along with its 83-member Advisory Board, provides the ABA Board with policy guidance on behalf of the association's smaller member banks. The council meets five times a year, twice in conjunction with the advisory board.

The council, supported by its professional staff, also sponsors programs and products for community banks. One is the ABA/Bank Marketing Association National Conference for Community Banking, to be held this month.

"Since the council's inception nine years ago," says Gohn, "ABA has come to regard it as an integral part of the association. The association tests many ideas on the community bankers. In my five years on the advisory board and council, I've noticed that there is a growing dependency by the ABA executive officers and board on the council's views."

Gohn gives an example. He relates that at a meeting last November, two representatives of ABA's Deposit Insurance Reform Task Force sought the opinions of council and advisory board members on the task force's preliminary findings. They received plenty of response, Gohn recalls.

"We don't have many shrinking violets on these groups," he says, "and that's the way I want it."

*For information on the council, its products or conferences, or about the Advisory Board, contact Kathleen Murphy, Director, Community Bankers Council. The address is: American Bankers Association, 1120 Connecticut Ave., N.W., Washington, D.C. 20036. Her number is: (202) 663-5123.*

"It took me about seven seconds to reconstruct an overdraft record," says Gohn.

Despite his interest in automation, Gohn firmly believes that service is what sets community banks apart from larger competitors. And that translates to hiring the right people.

"A lot of us don't do a good job of hiring," he says. "We tend to hire Aunt Nellie's niece, who may or may not be any good." Not long ago, in need of a loan officer, Gohn tried something different. He asked his staff to think of the person in one of the local stores who was the best at waiting on them.

Several people came up with the same person—a sales clerk in a men's clothing store. Gohn made the man an offer and he has turned out to be first rate.

**1990 issues.** During his remaining time as chairman of the ABA Community Bankers Council, Gohn plans to concentrate on steps that will enhance bankers' awareness of the council and its role (see "The 'Secret' Council"). But he's well aware that several important issues

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***"From the community banks' viewpoint, 'too big to fail' doesn't seem right. It is a regulators' concept, not the insurance system's concept. The original system was designed to protect the depositor, not to protect the bank"***

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are moving "on his watch." Chief among them is deposit insurance reform.

An ABA task force is expected to present recommendations for change to the ABA Banking Leadership Conference on March 1.

As Gohn sees it, two issues concern community bankers: (1) that some banks are considered too big to fail, and (2) that deposits held in foreign offices of U.S. banks are covered by FDIC insurance on a *de facto* basis, but with no premiums paid.

"From the community banks' viewpoint," says Gohn, "'too big to fail' just doesn't seem right. The concept is a regulators' concept, not the insurance system's concept. The original system

was designed to protect the depositor, not to protect the bank."

On foreign deposit insurance, Gohn says, most community bankers would take the position that if you're not insured, you shouldn't have to pay for it. "But the way the system works today," he says, "is that banks with foreign deposits receive the protection but don't have to pay for insurance. That just doesn't wash too well with community bankers."

Gohn doesn't sympathize with big banks' contention that assessing premiums on foreign deposits would put them in an uncompetitive position compared to banks of other countries.

"Those banks are skilled at what they do and have many more opportunities to

diversify their business than community banks do," observes Gohn. "They'll find a way to be competitive."

If the issues of foreign deposits and letting a big bank fail can be worked out, Gohn believes, the rest of the reform process should be relatively simple.

"Community bankers don't want *de facto* 100% insurance," he adds, "they just want the system to be fair."

**Not all alike.** Consumer banking legis-

lation that would require banks to offer some form of government check cashing service and/or so-called lifeline banking is also likely to be a major during Gohn's term as chairman.

He points out that, like many community banks, West Plains Bank already cashes government checks—without a fee—for people who are not bank customers. Likewise it offers a generic, low-cost checking account that in several

ways is more liberal than what Washington is proposing.

Gohn says bankers get annoyed that Congress doesn't seem to recognize that while there may be problems in certain regions, most banks are addressing consumers' needs. "Congress insists on putting all banks into the same pot," says Gohn.

One positive development Gohn sees is the growing awareness of Congress of the threat to U.S. banks from foreign financial institutions.

"I see our industry being crippled by foreign competition," he says, "not because we're not good bankers, but because the structure we must work under is so burdensome." While the problem is more acute for large banks at the moment, Gohn points out that if any segment of the industry is affected, sooner or later the trouble will filter down to every bank. He expects that the pressure of unequal foreign competition will result in positive developments at the national level.

**Home front.** Back in West Plains, with things wrapped up at the bank for the day, David Gohn jumps into his well-worn but sturdy '79 Jeep Wagoneer and heads for home on the outskirts of town.

As he steps out of the vehicle, a big black labrador retriever named Lucy bounds around the corner of the house to greet him. Billie Kay, David's high school sweetheart and wife of 26 years, has prepared a feast for the evening's guests. She runs the household and keeps tabs on the couple's three children. David, 15, is a freshman at West Plains High School. Jennifer, 23, a recent graduate of the University of Missouri, is working as a benefits accountant in Dallas, where she can be near her sister Courtney, 21, who is a junior majoring in broadcast journalism at Southern Methodist University.

Midway through cocktails, as he is explaining to guests how West Plains fared during the Civil War, Gohn receives a phone call. "Problem at the bank?" he is asked when he returns.

"No, a problem with the bees," he replies. Seems that a neighbor noticed that the bees in a hive on the Gohn property were becoming upset because a honey moth was flitting about the hive. The neighbor thought Gohn should know.

Add a beekeeper's veiled helmet, then, to the many hats this energetic banker wears. □