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A Study Towards Understanding The Propensity of Mature Consumers in Grand Forks County to Utilize Financial Products and Services Following the Deregulation of Banking

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A STUDY TOWARDS
UNDERSTANDING THE PROPENSITY
OF MATURE CONSUMERS IN GRAND FORKS COUNTY
TO UTILIZE FINANCIAL PRODUCTS AND SERVICES
FOLLOWING THE DEREGULATION OF BANKING

An Independent Study Submitted in Partial Completion

of the Requirements for the Degree

Masters in Business Administration

by

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INTRODUCTION

OVERVIEW:

Prior to 1980, conducting personal financial transactions were relatively simple matters. For instance, to earn interest customers had the option of simply going down to their local savings bank with cash and opening a passbook savings account.

To pay for everyday expenses customers simply wrote checks on their commercial bank checking accounts to cover the amounts of their indebtedness. Then things began to change.

In 1980, Congress adopted the Depository Institutions Deregulation and Monetary Control Act (DIDMC). This legislation enabled free markets and private initiative to flourish in the banking industry.

By "leveling the playing field" for all financial institutions, deregulation eliminated the sharp lines of demarcation that once existed between commercial banks, savings and loan associations, and other financial intermediaries. The time had come for innovation and product development to flourish in the banking industry in order to better serve the needs of customers.

With so much change, bankers found themselves seeking new directions for their financial institutions. They asked: Who are our customers?; What are their needs?; and How can we best serve the needs of our present and future customers?

Paramount to establishing future organizational strategies, however, was the recognized need to know more about the present financial activities of consumers.

OVERVIEW

In response to this quest for information, I have chosen as the subject of my independent study to examine the financial activities of Grand Forks County mature consumers (persons 55-years and older).

Specifically, this study will provide a framework for: (1) examining changes in the supply of financial services and products since 1980; (2) summarizing the results of a direct mail survey designed to reveal the present financial activities of Grand Forks County mature consumers and; (3) revealing variables which possibly explain mature consumers' demand for having all their financial needs served by one financial institution--"one stop shopping".

The growing interest in older Americans is concurrent with their steadily increasing numbers in the general population. National demographic trends reinforce the need for businesses to better understand the buyer behavior of mature consumers.

In 1980, for instance, persons 55 years or older comprised about 21% (46.2 million) of the total U.S. population. This percentage is projected to reach 26% by 2010 and 33% by the year 2050.

The potential economic impact of this market segment suggests financial institutions will need to focus their expertise on developing products and services which satisfy the needs of mature customers. However, prior to developing products and services targeted toward this market segment, financial institutions will need to take inventory of which financial needs are and are not presently being sought by mature consumers.

LEGISLATIVE CHANGES

As a result of deregulation, new financial instruments have evolved and nonbank bank institutions have continued to expand their efforts. To compete, depository institutions are addressing the challenges and exploring the opportunities.

Banks have been forced to provide additional services, to price services competitively, to introduce new deposit instruments and financial services and, to become more aggressive in their search for new customer bases while maintaining their present market share of customers.

Inspiration for such change and innovation started in 1970 when President Nixon appointed the President's Commission on Financial Structure and Regulation. Also known as the Hunt Commission, the President's mandate was to review and study the financial operation and regulation of private financial institutions.

The principal impetus for the Commission's creation was the official concern over an inadequate flow of savings within the economy.

"The demand on the flow of national savings will be heavy in years ahead, and our financial structure must have the flexibility that will permit sensitive response to changing demands".[1]

In the end, the Hunt Commission concluded that financial institutions were much too regulated. As a result, Congress passed the Depository Institutions Deregulation and Monetary Control Act (DIDMCA). This landmark legislation was designed to increase the monetary control of the Federal Reserve System and deregulate financial institutions.

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[1] Trends Affecting the U.S. Banking System, Cambridge Research Institute, 1976, pp. 126-127

LEGISLATIVE CHANGES

Unquestionably, the DIDMC Act of 1980 unlocked the shackles of regulation which once curtailed commercial banks and thrift institutions from competing effectively in highly competitive financial arenas. Such change leveled the playing field for commercial banks and thrift institutions in their fight to remain competitive against other nonbank bank financial institutions encroaching on traditional banking territory.

A chronology of major events in the deregulation process follows to illustrate the magnitude of change confronting banks and other depository institutions.

CHRONOLOGY OF THE DEREGULATION PROCESS [2]

1972.........NOW accounts were authorized for thrift institutions in Massachusetts. In the next few years, all New England thrift were allowed to issue NOW.

1973.........For the first time, ceiling-free, small denomination certificates of deposits were introduced. The certificate had a minimum deposit maturity of four years. The experiment lasted four months. All depository institutions were allowed to participate.

1975.........California state-chartered savings and loans were authorized to issue variable-rate mortgages. At the same time, a few national banks in California began to issue variable rate mortgages.

1978.........Federal regulatory agencies authorized commercial banks and institutions to issue Money Market Certificates, effective June 1. These certificates have a 26-week maturity, a minimum denomination of $10,000 and

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[2] CAN SMALL BANKS SURVIVE? A STUDY OF NORTH DAKOTA BANKS, Markovich, Denise E., Bureau of Business and Economic Research, University of North Dakota, September 1985

interest ceiling indexed to the 26-week Treasury bill rate, with a differential between commercial banks and thrift institutions.

1978.........In September, the International Banking Act of 1978 was enacted. This legislation aimed at eliminating differences between United States banks and branches and agencies of foreign banks.

1979.........Federal regulatory agencies authorized commercial banks and thrift institutions to issue Small Saver Certificates, effective January 1, 1980. These certificates have a 30 to 48-month maturity, no minimum denomination and interest ceilings indexed to the average 2 1/2-year yield for U.S. Treasury securities. Thrift institutions enjoy a ceiling differential.

1980.........The Depository Institutions Deregulation and Monetary Control Act was enacted. It contains the following nine "Titles" or categories. They are:

Title I-----Monetary Control Act
Title II----Depository Institutions Deregulation Act
Title III---Consumer Checking Account Equity Act
Title IV----Powers of Thrift Institutions
Title V-----State Usury Laws
Title VI----Truth in Lending Simplification and Reform
Title VII---Amendments to the National Banking Laws
Title VIII--Financial Regulation Simplification Act
Title IX----Foreign Control of the United States Financial Institutions

The DIDMC legislation authorized NOW (Negotiable On Withdrawal) accounts nationwide, established reserve requirements among non-member Federal Reserve banks and other depository institutions, expanded the powers of thrift institutions and, created the Depository Institutions Deregulation Committee (DIDC).

The DIDC, which was charged with gradual elimination of Regulation Q (maximum legal interest rate ceilings on time and savings deposits) ceilings, accomplished its task this year.

CHRONOLOGY OF THE DEREGULATION PROCESS

DIDC also allowed thrift institutions to invest 20 percent of its assets in consumer loans and allowed mutual savings banks to make business loans and accept business deposits.

1980..........In October, the DIDC authorized a new category of 14 to 90-day time deposit accounts. It established the ceiling on that account and NOW accounts at 5 1/4 percent, with no and thrift differential between commercial banks institutions. In addition the DIDC issued final rules governing premiums, finders fees and prepayment of interest on regulated deposits.

1981.........The Economic Recovery Act of 1981 was passed in August. This act authorized depository institutions to issue All Savers Certificates, effective October 1, with interest paid exempt from Federal Income Taxes. It also broadened eligibility for IRA and Keogh Accounts, effective January 1, 1982.

1982.........Several new accounts paying market-related rates were introduced. The DIDC adopted a new schedule for gradual phase-out of interest ceilings, beginning with accounts with maturity 3 1/2-years or longer. At the same meeting, it authorized a new 91-day savings certificate with $7,500 minimum denomination and interest ceilings tied to the 13-week Treasury bill rate. The ceiling gave thrift institutions a none-quarter point differential.

Passage of the Garn-St.Germain Depository Institutions Act (Garn bill) in 1982 allowed capital assistance for ailing thrift institutions, Money Market Deposit Accounts (MMDAs), an increase in the consumer loan percentage at thrift institutions to 30 percent, and savings and loans to issue business loans and accept business deposits.

CHRONOLOGY OF THE DEREGULATION PROCESS

Despite deregulation, federal law still prohibits commercial banks from paying interest on demand deposits, such as business checking accounts, which account for 25% of available bank funds. Interest on savings accounts which make up another 11% of available bank funds is also still limited by federal regulations.[3]

1982.........Super NOW accounts were introduced. Minimum deposit requirements on short-term CDs were lowered to $2,500. Ceiling rates on remaining time deposits were eliminated.

TO FURTHER SUMMARIZE, FOUR EXHIBITS OUTLINING LAWS & REGULATIONS FOLLOW.

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3 Dun's Business Month, January 1986, "Banking Illusory Profits?" p 15.

EXHIBIT 1

Key Federal Laws Affecting the Structure of the U.S. Banking Industry

National Bank Act (1863–64)	Set up a procedure for federal chartering of new banks and their supervision and examination by the Office of the Comptroller of the Currency.
Federal Reserve Act (1913)	Created the Federal Reserve System as a central bank and guarantor of the banking system's liquidity.
McFadden Act (1927)	Vested the states with authority to determine the limits of branch banking within their borders and prohibited interstate branching unless the states involved specifically okayed outside entry.
Banking Act of 1933 (Glass-Steagall Act)	Created the FDIC, prohibited commercial banks from paying interest on demand deposits and from underwriting corporate securities, and strengthened prohibitions against interstate branching.
Bank Holding Company Act (1956)	Multibank holding companies controlling two or more banks were required to register with the Federal Reserve Board and be subject to its rules. Acquisitions of 5 percent or more of the stock of an out-of-state bank was prohibited (Douglas Amendment).
Bank Merger Act (1960)	Mergers involving federally supervised banks must have the approval of their principal federal regulatory agency.
Bank Merger Act and Bank Holding Company Act Amendments (1966)	Merger or holding-company acquisitions could be approved by federal banking agencies if their anticompetitive effects were outweighed by public convenience and needs.
Bank Holding Company Act Amendments (1970)	Holding companies controlling only one bank are subject to Federal Reserve regulation; nonbank business ventures acquired or started by holding companies are confined to fields closely related to commercial banking.
International Banking Act (1978)	Foreign banks operating in the United States were brought under federal regulation for the first time, restricting their interstate branching activities, requiring federal licensing of branch and agency offices, imposing deposit reserve requirements, and providing FDIC insurance for retail deposits.
Depository Institutions Deregulation and Monetary Control Act (1980)	Granted nonbank thrift institutions broader deposit and credit powers, began the phasing out of federal deposit rate ceilings and imposed uniform deposit reserve requirements on banks and nonbank thrifts.
Garn–St Germain Depository Institutions Act (1982)	Authorized banks and savings and loans to offer money market deposit accounts, granted savings and loans additional commercial and consumer lending powers, and provided for mergers or government-backed loans for troubled deposit-type financial institutions.

EXHIBIT 2

Provisions of the Garn-St Germain Depository Institutions Act of 1982 (Garn bill; HR-6267) Applying to Credit Unions, Savings and Loan Associations, and Mutual Savings Banks

New Deposit Powers

1. Depository Institutions Deregulation Commission (DIDC) is authorized to develop a deposit account for banks and nonbank thrifts "directly equivalent to and competitive with money market mutual funds" no later than December 15, 1982.
2. Interest-rate differentials between commercial banks' and nonbank depository institutions' time and savings deposits will be phased out by January 1, 1984.
3. Federally chartered savings associations may accept regular checkbook deposits from businesses having a loan relationship to the associations or as a repository for payments.
4. All deposit-type financial institutions are permitted to offer NOW accounts to governmental units.

New Loan and Investment Powers

1. Federal savings associations may make secured or unsecured loans to businesses up to 10 percent of their total assets starting in 1984.
2. Commercial real estate loans may be increased from 20 to 40 percent of total assets at federal savings associations and required loan-value minimum ratios are eliminated. Federal credit unions are granted broader real estate loan powers with longer maximum maturities, the ability to lend against residential real estate regardless of price, and the ability to grant refinancing loans and second mortgages.
3. Federal savings associations may purchase municipal revenue bonds (up to 10 percent of capital limitation) as well as general-obligation municipal bonds and invest in time deposits at depository institutions insured by the Federal Savings and Loan Insurance Corporation (FSLIC).
4. Federal savings associations may invest in consumer loans up to 30 percent of their total assets (including loans to businesses to acquire consumer goods inventories).
5. Federal savings associations may lease or lend against personal property up to 10 percent of their assets.
6. State laws and court decisions restricting enforcement of due-on-sale clauses in real property loans (such as home mortgages) are preempted (except for loans originated or assumed during the period between applicable state law and passage of the Garn bill).

Other Provisions of Garn-St Germain

1. Qualified insured depository institutions may issue net worth certificates to their federal insurance agency in return for promissory notes from the agency which can be held as assets to strengthen the depository institution's net worth. The issuing institution must have net worth equal to or less than 3 percent of its assets, a consistent loss record, and at least 20 percent of its loans in the mortgage area.
2. Depository institutions can freely change organizational form from mutual to stockholder owned and change their federal or state supervisory agency.

EXHIBIT 3

Principal Bank Regulatory Agencies

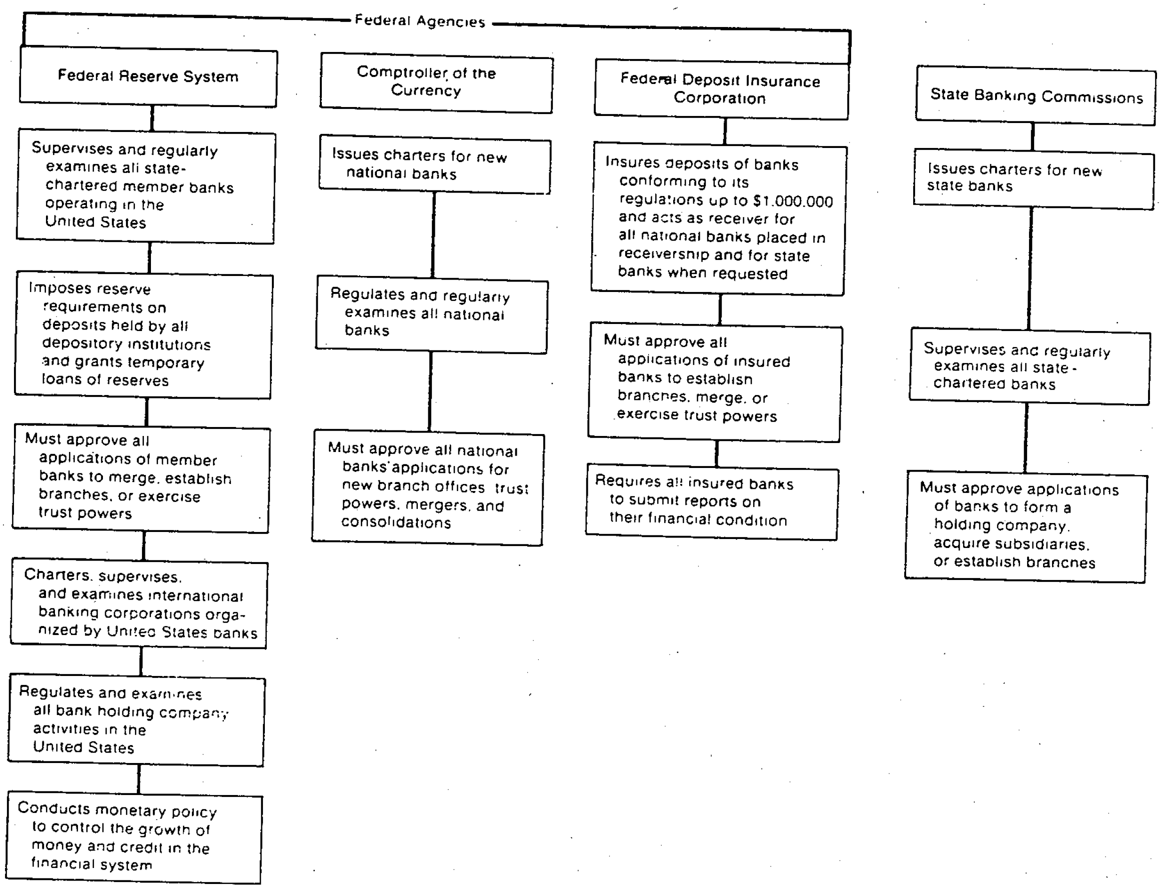

EXHIBIT 4

Government Agencies Regulating the Nonbank Thrifts

Nonbank Thrift Institution	Chartering and Licensing of Thrifts	Setting Up Branches		Mergers and Acquisitions		Deposit Insurance	Supervision and Examination
		Intrastate	Interstate	Intrastate	Interstate		
Credit unions	National Credit Union Administration/ State Banking Departments	No approval required		National Credit Union Administration/ State Banking Department	National Credit Union Administration/ State Banking Departments	National Credit Union Share Insurance Fund/State Departments	National Credit Union Administration/ State Banking Departments
Savings and loan associations	Federal Home Loan Bank Board/State Banking or Savings and Loan Departments	Federal Home Loan Bank Board/ Federal Savings and Loan Insurance Corporation/ State Banking or State Savings and Loan Departments	*	Federal Home Home Loan Bank Board/State Banking Departments/ State Savings and Loan Departments	Federal Savings and Loan Insurance Corporation	Federal Savings and Loan Insurance Fund/State Insurance Funds	Federal Home Loan Bank Board/State Banking or Savings and Loan Departments
Mutual savings banks	Federal Home Loan Bank Board/State Banking Departments	Federal Home Loan Bank Board/State Banking Departments	*	Federal Home Loan Bank Board/State Banking Departments	Federal Deposit Insurance Corporation	Federal Deposit Insurance Corporation/ State Insurance Funds	Federal Deposit Insurance Corporation/ State Banking Departments
Money market funds	Securities and Exchange Commission	No approval required		No approval required		No government programs/some employ private plans	None

* Generally prohibited for federal thrift institutions.
SOURCE: Based on *Depository Institutions and Their Regulators*, Federal Reserve Bank of New York.

FINANCIAL SERVICES

COMMERCIAL BANKS

Commercial banks are the "financial department stores" of the nations's financial system. They, like other financial intermediaries--savings and loan associations, credit union, mutual savings banks, insurance companies, and investment companies--tend to specialize in the forms of debt they accept and/or the forms of credit they extend. Since deregulation, such differentiations have been dramatically reduced.

Intermediaries are collection centers for surplus funds people have to invest and distribution centers of funds for people who need to borrow money. As a result, intermediaries fill the gap between the types of claims people hold as assets (demand deposits) and the different forms of claim borrowers owe (installment and business loans, government securities and mortgages).

Prior to deregulation, commercial banks were the only financial institutions allowed to accept demand deposits which were transferable to third parties by check. These checking deposits, both then and now, constitute the major source of our nation's money supply. Such monetary responsibility has, therefore, subjected commercial banks to special forms of regulation by the Board of Governors of the Federal Reserve System.[4]

Historically, commercial banks preferred to make short-term loans to businesses, principally to provide seasonal working capital for inventories or receivables. Commercial banks are also important lenders in the real estate field, supporting the construction of residential and commercial structures.

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4 Trends Affecting The U.S. Banking System, Cambridge Research Institute, Ballinger Publishing Company, 1976, p 2

FINANCIAL SERVICES

Commercial banks have been in existence for many years and prior to deregulation were considered to be in a mature stage of product development. Since deregulation, however, banks have offered a wide variety of services. These services include checking accounts, savings accounts, trust management services, IRA accounts, safe deposit boxes, and loans to consumers and business concerns.

In addition, commercial banks are an important source of consumer credit besides being one of the major sources of loans to small and medium sized businesses.

Since deregulation, the commercial banks have become a major consumer installment lending institution. Banks finance the purchase of automobiles, mobile homes, recreational vehicles, home furnishings and appliances and provide funds to modernize homes and other properties. In addition, commercial banks offer longer maturities on installment loans as well as new types of credit arrangements--credit cards.

Commercial banks also generate income by offering customers an Automatic Transfer Service. The prearranged automatic transfer of payment service involves the bank transferring funds from customers' interest-bearing savings account to their checking account, as necessary, to cover checks they have written.

To finance such extensive lending and investing operations, commercial banks draw upon a wide variety of deposit and nondeposit sources of funds. These sources include demand deposits (checking accounts), transactional accounts (combining the essential features of both demand and savings deposits), automatic transfer services (ATS), savings deposits, and time deposits (both negotiable and nonnegotiable certificates of deposit).

FINANCIAL SERVICES

Most commercial banks in the United States are chartered by individual states rather than the federal government. Of the almost 15,000 commercial banks operating at year-end 1983, close to 10,000 were state chartered. The remaining one-third are national banks chartered by the federal government.

National banks, on the average, are much larger and include nearly all of the nation's billion-dollar banking institutions. In recent years a number of structural changes have affected the banking industry. One of the most apparent is the drive toward consolidation of industry assets and deposits into larger organizations. This shift toward consolidation of banks is evident in the move toward branch banking. Branching, along with the liberalization of many state laws has enabled banks to grow.

OTHER DEPOSITORY "THRIFT" INSTITUTIONS

--SAVINGS AND LOAN ASSOCIATIONS--
--CREDIT UNIONS--MUTUAL SAVINGS BANKS--

Thrift institutions are becoming increasingly like commercial banks competing for many of the same customers. The St. Germain-Garn Bill in 1982 expanded the number of borrowing alternatives open to consumers by granting broader consumer credit powers to savings and loan associations and other thrift institutions. Finally, thrift institutions were permitted to make consumer installment loans and business loans comparable to many forms of commercial bank credit.

At the same time the legislation allowed depository institutions to offer money market deposit accounts (MMDAs) which pay interest similar to short-term, open-market interest rates, and can be accessed by check. As a result, financial depository institutions finally had an alternative product to offer customers that could compete against the ever popular money market mutual funds of the late 1970s.

SAVINGS AND LOAN ASSOCIATIONS

Savings and loan associations historically accepted savings deposits from middle income individuals and families and lent funds to buy homes. The first savings and loan associations were started in the 19th century as "building and loan associations".

Savings and loan associations are similar to credit unions in that both extend financial services to households. They differ from credit unions, however, in their heavy emphasis on long-term rather than short-term lending.

Residential mortgage loans still dominate the asset side of the savings and loan business. Restrictions on mortgage lending were eased following deregulation allowing for the creation of Adjustable-Rate Mortgages (ARMS), which fluctuates with and responds to current economic conditions.

Today S&Ls also have the power to acquire municipal revenue bonds and time deposits. They may also invest a substantial portion of their assets in consumer loans, commercial paper, corporate debt securities, and may issue credit cards.

Savings deposits still provide the bulk of funds available to the savings and loan industry. There has been a significant shift, however, in deposit mix in recent years from savings accounts earning low passbook interest rates to deposits earning much higher, more flexible returns.

FINANCIAL SERVICES

Among the higher-rate savings deposit plans offered by the industry are money market certificates (MMCs), small-saver certificates (SSCs), Keogh programs and Individual Retirement Accounts (IRA).

To survive in the long-run, S&Ls are gradually broadening their financial intermediary roles. While many are choosing to offer a full line of financial services to individuals and families, other S&Ls are branching out into business credit and commercial real estate lending.

Aggressive S&Ls are also branching out in at least three different directions--mortgage banking, family financial centers, and bank holding companies.

Those S&Ls following a "real estate model" literally have become mortgage banking firms. These savings associations are selling off their long-term mortgages and converting operations into real estate service organizations in order to manage and develop property, and broker mortgages.

Other S&Ls have become family financial centers offering a full range of retail banking services to consumers. These organizations offer services ranging from NOW accounts and credit cards to financial counseling and assistance in preparing tax returns.

Other S&Ls have adopted a diversified model, becoming holding-company organizations with ownership and control over commercial banks, retail-oriented consumer banks, mortgage banking firms, and commercial credit affiliates.

Only time will tell which of these models can adapt successfully to the changing character of the nation's financial system.

FINANCIAL SERVICES

CREDIT UNIONS

"Today U.S. credit associations are the third-largest institutional supplier of consumer installment credit, behind commercial banks and finance companies, and account for about one sixth of all consumer installment loans in the United States".[5]

One out of every six Americans today belongs to a credit union--roughly double the proportion a decade earlier. Under current federal regulations, these institutions are permitted to make unsecured loans to members, including credit card loans, not exceeding five years to maturity, or secured consumer mortgage loans out to 30 years.

Such latitude with both savings deposits and consumer installment loans, has enabled credit unions to become an aggressive competitor with commercial banks, savings and loan associations, and mutual savings banks.

At one time automobile loans constituted about one third of the volume of credit union loans until customers started buying fewer new cars and more used cars. Changing trends and intense competition have forced credit unions to develop new services and penetrate new markets.

Today about 58 percent of all credit unions are chartered by the federal government and the remainder by the states. Credit unions pay dividends to their members, but are considered nonprofit organizations doing business only with their members. Therefore, credit unions are classified as tax-exempt mutual organizations.

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[5] Ibid, Money and Capital Markets, p. 123.

FINANCIAL SERVICES

Credit unions also accept a smaller spread between their loan and deposit interest rates because of their lower operating costs. In addition, credit unions offer their customers money market certificates (MMCs), which can carry the same terms as money market deposit accounts offered at commercial banks and savings banks. Credit unions also offer payroll savings plans. Credit unions are rapidly expanding the number of services they offer. Some sell life insurance while others act as brokers for group insurance plans where state law permits. Others are active in offering 24-hour teller services, traveler's checks, travel-planning services and money orders.

Larger credit unions compete directly with commercial banks for transactional accounts by offering share drafts--interest bearing checkbook deposits.

MUTUAL SAVINGS BANKS

Mutual savings banks were started nearly 150 years ago in the United States to meet the financial needs of the small saver. These institutions have remained essentially rooted along the eastern seaboard of the United States and play an essential role in the residential mortgage market.

Mutual savings banks are much more diversified in their investments than S&Ls. They hold corporate bonds and common stock, invest in commercial mortgages and make consumer loans.

There are about 600 mutual savings banks operating today. Technically mutual savings banks are owned by their depositors. They can be chartered by either the state or federal government.

Like savings and loan associations, mutuals have discovered that the customers they serve have become much more financially sophisticated in recent years. The higher-yielding time deposits have grown much faster than lower-yielding savings plans.

"The most pronounced shift has been out of regular passbook savings accounts to fixed-maturity time deposits, which carry contract rates that float with conditions in the money market".[6]

Mutuals are less flexible than commercial banks in adjusting to changing financial conditions because of their heavy concentration in mortgage-related investments. To counter this relative inflexibility, mutuals have been among the leading institutions in developing new types of variable-rate mortgages, in order to introduce greater flexibility into their revenue flows.

NONBANK BANK FINANCIAL INTERMEDIARIES

--MONEY MARKET MUTUAL FUNDS--
--LIFE INSURANCE COMPANIES--
--SALES AND CONSUMER FINANCE COMPANIES--

MONEY MARKET MUTUAL FUNDS

In 1972 a nonbank bank institution appeared on the scene--the first money market mutual fund. A money market mutual fund is a financial intermediary for pooling the savings of thousands of individuals and businesses for investment in short-term, high-quality money market instruments. The money fund offers "share accounts" with yields that reflect prevailing interest rates in the nation's money market.

To compete, depository institutions were authorized by the Garn bill to offer Super NOWs and Money Market Deposit Accounts (MMDAs). Such offerings, however, have not reduced the attractiveness of money market mutual funds, which

[6] Ibid, Money and Capital Markets, p.p 139-140.

typically invest in U.S. T-bills, bank certificates, bankers' acceptances, commercial paper and securities issued by the federal government agencies.

Another advantage of a mutual fund is the ease with which a customer's account can be accessed. Most mutual funds allow customers to write checks in order to redeem shares, provided the amount of each check exceeds a designated minimum. During the check clearing process daily interest is earned on the monies waiting in the customer's share account.

The main disadvantage with mutual funds is that share accounts, unlike money market demand accounts,are not federally insured. With the recent rise in bank and corporate business failures, this deficiency concerns some investors.

LIFE INSURANCE COMPANIES

Life insurance companies rank third in assets, right after commercial banks and S&LS. A high percentage of insurance company assets are invested in long-term corporate bonds and mortgages--mostly long-term commercial other than residential mortgages. Insurance companies primarily insure people against the financial consequences of death.

SALES AND CONSUMER FINANCE COMPANIES

Finance companies specialize in lending money for people to buy cars, and take vacations and for business firms to finance inventories, Many of them, like General Motors Acceptance Corporation (GMAC), are owned by a manufacturing firm and lend money mainly to help retailers and customers buy that firm's product.

Others like Household Finance and Beneficial Finance mainly make small consumer loans. Finance companies raise their funds either by selling their own short-term commercial paper to business firms with funds to invest short term, or by selling their own long-term bonds.[7]

THE FUTURE FOR FINANCIAL INSTITUTIONS

While financial institutions are expected to grow rapidly in the coming years, it will not be an era of trouble-free growth and expansion. The intense competitive battle for savings deposits, transaction accounts, and consumer loans is only just beginning between financial institutions across the country.

"Like a Baskin-Robbin's ice cream store, financial institutions now offer customers 31 or more flavors of savings and transactional accounts as well as credit plans to meet a wide variety of personal financial needs".[8]

EHIBITS 5 & 6 which follow offer a summary of key financial services.

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7 Principles of Money, Banking and Financial Markets, Basic Books, Incorporated, New York, 1986, pp. 87-88.

8 Ibid, Money and Capital Markets, p. 461.

EXHIBIT 5

Types of Mortgage Instruments

Fixed-Rate Mortgage (FRM). The contract interest rate is set at the time a mortgage loan is made and does not change over the life of the loan. The maturity (term) and the size of the monthly payment called for by the mortgage usually is fixed as well.

Variable-Rate Mortgage (VRM). The contract interest rate specified in the mortgage loan is tied to another interest rate which is sensitive to current supply and demand conditions in the open market. Higher interest rates usually result in higher monthly mortgage payments.

Adjustable Mortgage Instrument (AMI). Changes in the interest rate attached to the mortgage loan can be passed along to the borrower by changing the loan principal, loan maturity, or monthly payment, or by varying some combination of these credit terms.

Graduated-Payment Mortgage (GPM). Installment payments required under a mortgage contract are set lower than those required under a comparable fixed-rate mortgage but rise over time with inflation, borrower income, or some other index.

Canadian Rollover Mortgage (CRM). This mortgage loan is of much shorter term than a conventional fixed-rate mortgage and usually requires the borrower to renegotiate and refinance the loan on the due date.

Renegotiated-Rate Mortgage (RRM). With this long-term residential mortgage loan, the interest rate is set for a period shorter than the term of the mortgage and must be renegotiated between borrower and lender on a periodic basis.

Deferred-Interest Mortgage (DIM). This mortgage loan has interest rates that are generally lower than on conventional fixed-rate mortgages, but at a later point the borrower must reimburse the lender for accumulated interest not paid earlier.

Flexible-Payment Mortgage (FPM). The borrower pays only the interest on a mortgage loan for the first five years; subsequent payments must be high enough to fully amortize the loan, however.

Shared-Appreciation Mortgage (SAM). The borrower agrees to give the lender a portion of the profits from the sale of mortgaged property in return for a lower contractual interest rate and lower monthly payments.

Reverse-Annuity Mortgage (RAM). This is a device to raise money by borrowing against an existing home or other structure (usually a property whose original mortgage loan has been paid off), with the borrower receiving fixed annuity payments based on the value of the mortgaged property.

Examples of Key Financial Services Offered to Consumers by U.S. Financial Institutions

Payments services:	
NOW accounts	Interest-bearing checking accounts offered by banks and thrift institutions. As of 1984 federal rate ceilings applied to these accounts were set at a maximum of 5¼ percent for deposits under $2,500.
Super NOW accounts	An interest-bearing checking account without restrictions on withdrawals, number of checks written, or on the interest rate that can be paid. Must have a minimum balance of $1,000 or the interest rate drops to regular NOW account rate.
Money market deposit accounts (MMDAs)	An interest-bearing checkbook deposit requiring a minimum average balance of $1,000 but with no federal interest-rate ceiling if the average balance does not fall below $1,000 (otherwise the regular NOW account rate applies). Up to six written preauthorized third-party transfers out of the account are permitted per month, only three of which may be by check. No legal restrictions are imposed, however, on withdrawals in person, by mail, or through a messenger or automated teller machine. A seven-day notice of withdrawal may be imposed by the offering financial institution.
Share drafts	Interest-bearing checking accounts offered by credit unions to members only with a maximum dividend rate set by federal regulation.
Share accounts	Shares in a money market mutual fund, representing an ownership interest in a pool of money market securities held by the fund; minimums are required to open an account and make deposits; checks may be written provided they are equal to or larger than some minimum amount (e.g., $500).
Automatic transfer service (ATS)	Allows the customer of a depository institution to transfer funds between checking and savings accounts, thus earning interest on unused balances until the funds are needed for expenditures.

Savings instruments:	
Passbook or regular savings accounts	Savings plan allowing withdrawals or deposits at any time; while technically a seven-day withdrawal notice may be required, this is usually not requested by the offering institution; the interest rate cannot exceed the federal legal ceiling which in 1985 was 5½ percent.
Regulated-rate certificate of deposit, 7 to 31 days to maturity	A time account with a $1,000 minimum carrying either a set maturity or with a required notice of withdrawal of 7 to 31 days; carries a penalty for premature withdrawal and cannot be used to secure a loan; interest rate is set by federal regulation.
Unregulated-rate certificate of deposit, 7 to 31 days to maturity	A time account requiring a $1,000 minimum deposit with set maturity or requiring minimum withdrawal notice as specified by the offering institution; a penalty is imposed for early withdrawal and the deposit cannot secure a loan, though automatic renewal is allowed and there is no federal rate ceiling unless the balance drops below $1,000.
Regular certificate of deposit, maturity greater than 31 days	A time deposit without a minimum balance and may be of any maturity over 31 days; no federal rate ceilings are imposed and the interest rate offered may be fixed or variable, depending upon the policies of the offering institution, though there is usually a penalty for premature withdrawal.
Universal life insurance plans	A combination risk-protection and savings instrument offering the customer money market interest rates on savings accumulated in a mutual fund plus the convenience of automatic withdrawals to cover premium payments on a life insurance policy.
IRAs and Keogh plans	Retirement funds which a wage earner (in the case of IRAs) or a self-employed person (in the case of Keoghs) can open up at local banks or nonbank thrifts, brokerage firms, insurance companies, or mutual funds and contribute limited amounts of annual income free of federal income taxes.
Combined brokerage (either full-service or discount) and cash-management services	A comprehensive financial management package offered primarily by brokerage companies and some banks and thrift institutions which may offer share accounts in money market funds and stock and bond funds, credit card and check-writing services, automatic funds transfers into and out of the customer's account, and low-cost execution of desired security trades along with option and margin accounts.

BANKING ADVANCEMENTS

BRANCH BANKING

In the decade of the 1980s, expansion of branch offices across state lines has become a key issue in American banking. Although the McFadden Act of 1927 and the Banking Act of 1933 (Glass-Steagall) prohibit full-service interstate branching, individual states are permitted to decide whether to allow out-of-state banking organizations to branch into their territory if they so chose.[9]

For those states which have approved out-of-state bank entry, many have required "reciprocal branching" for their banks--Florida, South Dakota, and Kentucky.

Pressure for legislation allowing for greater branch banking and service powers arose during the 1970s and 1980s with the expansion of financial conglomerates, such as Sears, Roebuck Co., Prudential-Bache and Shearson-American Express, and other nonbank banks.

American law defines a bank as any institution that does at least two things: accepts deposits payable on demand, and makes commercial loans. For example, a company that only accepts deposits that require notice of withdrawal is not strictly a bank--even if it waives the period of notice. Therefore, the Federal Reserve Board has no authority to regulate limited service banks, otherwise known as non-bank banks.

This nonbank loophole has allowed nonbank giants such as Sears, American Express and Household International to set up banking units that either offer one service or the other, but not both.

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[9] Money and Capital Markets, Peter S. Rose, Business Publications, A&M University, Plano Texas, 1986, pp 90-91.

BANKING ADVANCEMENTS

Such freedom has enabled these firms to concentrate their services in the consumer area--selling credit, insurance, real estate, security brokerage, and savings plans--either by mail or conveniently located branch offices which are not restricted by antibranching laws. In addition, these firms--in particular, the big money center banks--can now establish national networks of businesses which are for most purposes banks.[10]

THE SPREAD OF TECHNOLOGY

Banking today is experiencing a technological revolution. Computer terminals and high speed information processing are transforming the industry, stressing convenience and speed in handling such routine banking transactions as making deposits, withdrawing cash, repaying loans, and cashing checks. Among the most important pieces of technology in the industry are automated teller machines (ATMs). ATMs accept deposits, dispense cash and information and accept payments.[11]

Banks now reach many customers through the new technology. As electronic fund transfers and Point of Sale (POS) terminals increase in number, the traditional brick and mortar concept of a bank is changing. This has enabled many banking functions to be performed electronically across state lines.

For instance, POS terminals connected on-line to the banks's computer, and located in retail stores and other commercial establishments accept plastic credit and debit cards, permitting the customer to pay instantly for a purchase without the necessity of cashing a check.

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[10] The Economist, February 7, 1986, "Non-bank banks: Supreme Moments", p 76.

[11] Money and Capital Markets, Rose, Peter S., Business Publications, A&M University, 1986, p. 96.

BANKING ADVANCEMENTS

"Customers have not accepted POS terminals as enthusiastically as they have ATMs. Part of the problem is the customer's loss of checkbook float when payments are made instantly. [12]

BANK HOLDING COMPANIES

Paralleling the rapid growth of branch banking and technology has been the growth of bank holding companies. A bank holding company is a corporation organized to acquire and hold the stock of one or more banks.

The company may also hold stock in certain nonbank business ventures. As a result, bank holding companies offer commercial banks a vehicle for offering services they otherwise could not offer, plus a way of avoiding laws prohibiting or restricting branch banking.

To tighten this loophole, in 1970 Congress passed the Bank Holding Company Act requiring Federal Reserve Board approval on the acquisition or starting of any new bank or nonbank business. In addition, nonbank businesses were required to be so "closely related" to banking as to be "a proper incident thereto."

To date the Federal Reserve Board has allowed holding company acquisitions involving businesses engaged in the making of loans (finance, mortgage or credit card companies), the writing of full-payment leases for personal or real property (equipment-leasing companies), the insuring of credit repayment (firms selling credit life insurance), the recording and transferring of financial information (data processing firms), and the giving of financial advice (through a trust company, management consulting firm, or investment advisor).

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[12] Ibid, Money and Capital Markets, p.97.

BANKING ADVANCEMENTS

TRENDS IN BANKING

Banks today are well aware that customers are more financially sophisticated and have a greater tendency to "shop around" for the highest returns available on both transactions and savings deposits.

Today the cost of attracting customer funds has been increased by the tendency of bankers to expand services, in order to offer customers "one-stop" financial convenience. For instance, according to an article in The Wall Street Journal, Bank One in Upper Arlington, Ohio is trying new ways to attract customers. The bank is turning into a "money store."

Bank One has hired retail consultants--people who usually work for department and specialty stores--to teach them how to package products, build exciting displays, and induce people to buy their services.

Bank One is now trying to look more like a small shopping mall than a bank. The bank has replaced most of the its tellers' windows and lending offices with several small boutiques. For instance the bank now has an insurance agency in one corner with a real estate office next to it. In another corner there is a travel agency and a discount brokerage. Across the room is the bank itself with three tellers, an automated-teller machine and a new-accounts desk, all clumped by the vault.[13]

While Bank One is an early adopter of such marketing innovations, many banks have developed a range of services to attract new and keep present customers. Such services include: (1) security brokerage services so customers can purchase stocks and bonds and pay by charging their deposit accounts; (2) insurance

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[13] Wall Street Journal, "Banks Hire Retailing Consultants for Help In Becoming Financial-Products 'Stores'", May 20, 1986, section 2, p 33.

networking agreements with other banks so customers can access their deposit accounts while traveling; (4) account relocation services and real estate brokerage for customers who move and; (5) financial and tax counseling centers to aid customers with important personal and business decisions.

Such changes are the result of shifts in regulations and by strong economic and financial pressures. High interest rates, soaring operating costs, and intense competition from nonbank financial institutions have pushed bankers toward responding to changes in demand for new financial services by customers.

SEEKING CUSTOMERS: THE MATURE CONSUMER MARKET

BACKGROUND

Several market segmentation schemes have been postulated by financial institutions in recent years. Some have focused on wholesale markets, others on broad retail banking, but few seem to have recognized what may very well be the bread-and-butter customer of the future--the older consumer.

In the year 2010 one-fourth of the U.S. population will be 55 or older. By the year 2050, 33% will be that age and one-fourth of the population will be 65 and older. The population of older persons in the United States will be more than 100 million.

PROJECTED U.S. GROWTH OF THE OLDER POPULATION, 1980-2050

TOTAL POPULATION VERSUS PERSONS 55 YEARS AND OLDER*

Year	Total	55 Only	Percentage
1980	226,505	47,244	20.9%
1990	249,731	52,889	21.1
2000	267,990	58,815	21.9
2010	283,141	74,097	26.2
2020	296,339	91,629	30.9
2030	304,339	98,310	32.3
2040	307,952	101,307	32.9
2050	308,856	104,337	33.8

*** Source: Aging America, U.S. Senate Special Committee on Aging. Reported in thousands.**

Such U.S. demographic projections reinforce the need for financial institutions to target some of their future marketing efforts toward expanding their mature customer base.

Prior to initiating such programs, it is important to know more about the financial activities of mature consumers.

THE MATURE CONSUMER MARKET

A survey conducted by the U.S. League of Savings Institutions in 1984 revealed several characteristics of mature consumers. In general, savings institution depositors are older, have higher incomes and are better educated than the U.S. population as a whole.[14]**

OLDER DEPOSITORS MAKE UP THE BULK OF CUSTOMER BASE:

Age of Depositor	Percentage of Savings Institutions Base
18-24	2.2%
25-34	12.1
35-44	15.0
45-54	14.5
55-64	21.4
65 +	34.9

**see footnote 14

"The median income for the 65 and older group at savings institutions was $21,800, compared with the approximately $10,000 for the national average of this age group", the survey stated.

The 1984 "Savers Survey" also revealed, "the median savings institutions depositor of all age groups maintain $6,500 on deposit at savings institutions and $20,180 at other financial institutions. But the elderly group maintains $16,530 at savings institutions and $50,180 at other financial institutions".

When asked what their reasons were for savings, the older consumer cited "rainy days" and "income". Then when asked what was the most important reason for choosing a savings institution, the elderly respondent stated "location, insurance of accounts, and high interest rate".

While location was ranked most important among senior citizens, it ranked second behind interest rates for savings institution depositors in general.

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[14] Savings Institutions, "Savers Survey Sets The Stage For Strategic Planning", May 1985, pp. 73-77.

MATURE CONSUMER MARKET

The savers survey also confirmed the suspicion held by many that senior citizens are less enthusiastic about the use of electronic service delivery systems. ATM usage is lower for this age group than others, and interest in home banking is even lower.

When asked what were the most troublesome aspects of money management, the older consumer stated "deciding between products, maintaining multiple accounts, and transactions fees".

Sources of income for the elderly provide insights into their spending and saving ability. More than one-half of those 65 or older depend on Social Security benefits for over half their income. Whereas, Social Security benefits for one-fifth of those 65 or older constituted only 10 percent of their total income (90% or more was accounted for by other sources), the survey revealed.

"This heavy reliance on Social Security payments underscores the importance of providing the direct-deposit service", the survey stated.

Also according to this survey, attention to product design focused on location, convenience, safety, and rate is more important to mature consumers than full-service banking and technology. These factors indicate that better trained counselors, financial planning, and trust services may be valuable services for this growing group.

THE GENERAL USE OF FINANCIAL SERVICES

Commercial banks used to capture the high-income, low-risk segment of the closed-end credit market leaving less affluent, working-class customers to the finance companies and credit unions.

Today, customer segmentation is no longer that sharply defined. Instead lending institutions form two distinct groups: (1) commercial banks and finance companies, and (2) credit unions and savings institutions.

Inflation, innovations, and high interest rates over the past decade have increased both the return on investments and the variety of financial services available.

Savings institutions now offer checking accounts and make consumer loans. Banks give market rate interest on various types of accounts, including money market and individual retirement accounts. Prior to such changes, "nonbanks", such as stock brokerages and money market mutual funds, had emerged as aggressive competitors for consumer funds.

According to a 1983 Survey of Consumer Finances, conducted by the Survey Research Center of the University of Michigan, "no matter what income level, customers looking for the best return are likely to go outside their primary financial institution to obtain it, even at the expense of convenience".

According to the study, asset owners tend to fall into four groups based on financial behavior and attitudes. The first group are the owners of checking and savings accounts. These consumers are more like consumers in general, however, they are slightly older and better off financially.

THE GENERAL USE OF FINANCIAL SERVICES

Owners of checking and savings accounts are just as likely to seek advice and tolerate risk as the general population--and a little more likely to put up with a lack of liquidity.

The second group, according to the study, include those who have invested in money market deposit accounts, and certificates of deposit offered by commercial banks and other depository institutions. They are the oldest group--60 percent are aged 35 to 65, and fully one-fourth are aged 65 or older. This group's income and net worth are higher than those of checking and savings account owners.

This group is more likely to seek financial advice and tolerate lack of liquidity. However, these investors have about the same low tolerance to risk.

Those who own financial assets that are not available from depository institutions, including stocks, bonds and money market mutual funds, form the third group. This group has the highest income and net worth of any of the four groups, and are only slightly younger than the second group. This group is the least risk-adverse, or likely to seek advice, and is the most tolerant of a lack of liquidity.

The fourth group includes investors in real assets--owners of income-producing property, small businesses and homes. Only a fraction of this group is over 65. They are only moderately risk-adverse and not particularly tolerant of low liquidity.

The survey also found little support for the one-stop financial supermarket theory. "While demand for more services increases with income, upscale customers--those with household incomes of $50,000 or more--represent only 12 percent of all bank customers. Moreover, upscale households invest in stocks, bonds, and other sophisticated financial assets as complements, not substitutes, for liquid investments at depository institutions.

In contrast, 45 percent of bank customers have household earnings between $20,000 and $50,000", the survey reported.

CONSUMERS AND CREDIT

People borrowing money from commercial banks and finance companies have similar median incomes and debt levels, even though since 1977 the two groups of customers are noticeably different. Commercial banks have slipped in market share since that time, while finance companies have increased their share.

The customers of credit unions and savings institutions are likewise similar to one another. Their median household incomes are a third higher than the incomes of commercial bank and finance company customers, and their liquid assets are greater.

The credit union is no longer the exclusive haven of lower-middle-income, blue-collar borrowers. Credit union customers have the highest median income and median amount of outstanding debt among any of the customer groups. One-third are white-collar workers, virtually the same share as for commercial banks.

Savings institutions still have a small market share, but credit customers have high incomes and 42 percent are white-collar workers. Three-quarters of savings institution credit customers are homeowners, suggesting these institutions have expanded into lending by tapping their traditional customer base.

CREDIT CARD DEMOGRAPHICS

In 1983, 63 percent of American households held credit cards, about the same proportion as in 1977. While ownership of gas credit cards has fallen since 1977, ownership of bank credit cards--Visa and Master Card--increased from 38 percent to 42 percent between 1977 and 1983.

The travel and entertainment card--American Express--has become the card of the young, upwardly mobile consumer. Households with retail credit cards--Sears, J.C. Penneys--are the least affluent and the most likely to be headed by blue-collar workers, the survey revealed.

CONSUMER ACCOUNTS

"Checking and savings accounts are still the only widely-held financial assets; no other financial or real asset--except a home--is held by as many as a quarter of Americans. While virtually all consumers use routine financial services at commercial banks or other depository institutions, only a few put their money into assets, whether offered by banks or nonbank financial institutions".[15]

Between 1977 and 1983 the percentage of households holding savings accounts plunged from 77 percent to 62 percent as savers abandoned those accounts in search of the higher returns offered by unregulated accounts. By 1983, 17 percent of households had IRA and Keogh accounts, eight percent had money market accounts, and six percent had money market mutual funds.

EFFECTIVE CROSS-SELLING

Studies show that the more accounts a customer holds with an institution, the more stable is the customer. Overall less than 41.9% of savings institution depositor households contributed to an IRA in 1983. But figures are far higher

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[15] Commercial West, "How People Use Financial Services", October 26,1985, pp. 10-12.

for depositors between the ages of 35 and 64, according to a U.S. League of Savings Institution 1985 report.

According to that same report, "of greater significance is the finding that close to 65% of their survey respondents placed their IRA with a savings institution. No other financial institution rivaled the reported penetration levels for IRAs. However, younger depositors lean more heavily toward insurance companies, stock brokers and mutual funds for IRA deposit".

IRA ACCOUNTS

Financial Institution	1983 Share of Depositors' IRAs
Savings Institutions	65.8%
Insurance Company	8.9%
Stock Broker	9.1%
Mutual Fund	8.4%
Commercial Bank	9.7%
Credit Union	5.4%
Other/not specified	5.2%

* Source: U.S. League of Savings Institutions 1984 Report

THE MOST IMPORTANT FEATURE FOR OPENING AN IRA AND CHOOSING A SAVINGS INSTITUTION

Feature	Opening IRA	Choosing Institution
Location	29.9%	10.1%
Interest Rate	23.1%	25.0%
Deposit Safety	NA	10.6%
Quality Service	NA	1.1%

*Source: U.S. League of Savings Institutions 1984 report.

OPENING AN IRA

REASON	RESULTS
Have other deposits at the same institution	60%
Convenient location	59%
Safe place for my money	44%
Best interest rate	43%

Note: Investors' top reasons for choosing an institution to open an IRA: based on 1985 U.S. League of Savings Institution's report.[16]

16 The Wall Street Journal, May 21, 1986, Sec.2, pg 34.

POPULATION OF INTEREST

The mature consumer market segment (ages 55-years and older) is expected to have a major impact economically on financial institutions by the year 2010. Such projections warrant special attention from both Grand Forks County, as well as other national financial institutions, when developing services and products targeted toward this market segment.

1980 DEMOGRAPHICS IN GRAND FORKS COUNTY

AGE	FEMALE	MALE	TOTAL
55-59	1,088	1,068	2,156
60-64	928	918	1,846
65-75	1,653	1,246	2,899
75 +	1,521	835	2,356
TOTALS	**5,190**	**4,067**	**9,257**

*Source: 1980 U.S. Census

NOTE: In 1980, Grand Forks County mature consumers constituted 14% of the total population (66,100), of which females constituted 56% while males constituted 44%.

Prior to developing products and services it is important to understand what motivates the elderly consumer to select one financial institution over another and what services or products are valued by this market segment.

To investigate what motivates these consumers one must first understand what actions mature consumers are presently taking to address their financial needs.

SURVEYING GRAND FORKS COUNTY MATURE CONSUMERS

To find answers, the primary objective of this study was to survey the financial activities of Grand Forks County mature consumers. The information then could be utilized by financial institutions in developing strategic plans targeted toward cultivating a mature customer base.

The questionnaire constructed for this study was designed to collect information in order to answer the following three questions.

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1. WHICH FINANCIAL SERVICES AND PRODUCTS ARE GRAND FORKS COUNTY MATURE CONSUMERS PRESENTLY USING?

2. DO MATURE CONSUMERS ASSOCIATE CERTAIN FINANCIAL SERVICES/PRODUCTS WITH SPECIFIC KINDS OF FINANCIAL INSTITUTIONS?

3. DO MATURE CONSUMERS PREFER TO HAVE ALL OF THEIR FINANCIAL NEEDS SERVED BY ONE FINANCIAL INSTITUTION--"ONE-STOP SHOPPING"? ARE THERE CERTAIN VARIABLES INTERRELATED WITH THIS PREFERENCE?

THE SURVEY

Several drafts of the survey instrument were required before the final product was complete (See EXHIBITS 7-10 at the end of this section). The questionnaire was kept short, simple, easy to read, and structured so the data could be quantified later.

The survey's questions for the most part were dichotomous, requiring a yes/no response. Respondents were asked to indicate a "yes" response by a check mark and a "no" by leaving the response blank. The survey also offered a response category of "none" for questions one and two.

Likewise, all questions, except "age", had mutually exclusive response categories and were closed-ended. Several questions were included to cross-check responses. For instance, respondents were asked to identify which financial products/services they presently hold with specific kinds of financial institutions. Then respondents were asked again to identify the number of different financial institutions which supply their services/products.

To add credibility and increase this study's response rate, a cover letter was designed. The cover letter was printed on University of North Dakota stationery and accompanied each questionnaire.

The message of the cover letter was intended to inform respondents as to: (1) who was conducting the research and why; (2) how their name was selected; (3) the fact their answers would be kept strictly confidential; (4) how long it would take the respondent to complete the questionnaire; and (5) the need for each response to be returned via an enclosed postage paid envelope.

In early October, 1,000 Grand Forks County residents were sent a cover letter and questionnaire. The questionnaires were printed on two different colored paper stock in order to discreetly distinguish between rural and urban respondents.

Questionnaires printed on yellow paper stock were sent to respondents outside the city of Grand Forks (34%) while white paper stock questionnaires were sent to respondents in the city of Grand Forks (66%).

The decision to conduct a mail survey was based on the following advantages: (1) the relatively low cost; (2) the ability to reach respondents at home or at the office; (3) the advantage of giving respondents more time to think through their answers as compared to the time allowed during a telephone or personal interview; (4) the ability to obtain more certain personal and economic data in an unsigned mail questionnaire and; (5) the advantage of avoiding interviewer bias or mistakes.

METHODOLOGY

To induce respondents to return completed questionnaires, consideration was given to the following motivators: (1) premiums; (2) follow up response letters or postcards and; (3) possible personal interviews to obtain replies from certain persons.

The postcard option was finally selected because of budget constraints and the belief that offering mature consumers the opportunity to contribute to research at UND would be motivating enough.

This enabled the bulk of the study's monetary resources to be spent on package design and content versus the purchase of premiums or the distribution of a dollar per questionnaire.

Two weeks after the questionnaires were mailed, the follow-up postcard was mailed. The postcard message requested that respondents return their questionnaires quickly.

THE MAILING LIST

To initiate this project, a comprehensive mailing list of Grand Forks County mature consumers was needed. Contact was made with the North Dakota Legislature to investigate whether a special committee, or agency on aging, existed and whether a mailing list of mature consumers was available.

After much investigation, contact was made with the Department of Human Resources, Aging Services. Its department director Larry Brewster recommended contact be made with Mr. Lin Bingum, the Grand Forks County Human Service Center director.

As a back-up, contact was made with The Greater Grand Forks Senior Citizens Association for a mailing list. The association's Board of Directors reviewed my written request to use their mailing list. The request was denied on the grounds that releasing such information violated the privacy of its members.

Meanwhile, contact was made with the office of Senator Quentin N. Burdick , who is a member of the U.S. Senate's Special Committee on Aging. While no mailing list was available, a recent U.S. study on Aging was obtained.

In the end, a mailing list of 1,000 randomly selected names was derived from two sources. A mailing list of 800 randomly selected names, provided by Mr. Bingum, was combined with 200 names (listed as "retired") randomly selected from the 1986 Grand Forks County Directory.

This random selection of residents was conducted by selecting every fifth "retired" household/resident name which appeared on every eighth consecutive page of the directory starting with page 31.

SAMPLE SIZE

Based on the 1980 U.S. Census mature consumers constitute 14% of the Grand Forks County population. To derive a sample size the 14% proportion was used along with a confidence interval (C.I.) level of 99 percent.

SAMPLE AND UNIVERSE PROPORTIONS (PERCENTAGES)

n = sample size　　p-P = one-half C.I.
p = the proportion　　z = standard normal deviation
q = 1-p　　(2.576 for 99%)

n = pq/(p-P/z)2*

n =.14x.86/(.05/2.576)2 *　　n = .12/.0003767

N = 318.5 or 319

(* SQUARE THE AMOUNT)

METHODOLOGY

To satisfy all parameters, a sample size of 319 was the original theoretic target. Five weeks after respondents had been mailed their survey packages, 406 questionnaire were returned.

Each questionnaire was reviewed. Some were returned by other household members reporting that the desired respondent was deceased. Others which were returned with little or limited data completed were labeled as "marginal". Both types of responses were then eliminated from the total. In the end, a total of 332 observations was used in this study.

Of the 332 observations 220 surveys were returned by city respondents (66%) while 112 questionnaires were returned by urban respondents (34%). This was exactly proportional to the number of questionnaires sent to rural versus urban respondents.

HYPOTHESIS

Along with addressing the three questions outlined above, two conditions were hypothesized about the activities of mature consumers. They were:

(1) There is more of a preference, than not, for one-stop shopping among mature consumers in Grand Forks County.

(2) The preference for one-stop shopping is associated with the following variables: (1) HABIT resulting from seeking financial services outside the county as well as outside the state; (2) INCOME--the lower the income the more one prefers one-stop shopping; (3) AGE--the older you are the more you want one-stop shopping because it is convenient; (4) LOCATION--more consumers in rural versus city settings prefer one stop-shopping because of their present locale's limited level of choice; (5) EDUCATION--the less education the more one prefers one-stop

shopping to keep things simple and; (6) SEX--more females than males prefer one-stop shopping.

THE ANALYSIS

To investigate the first hypothesis, a frequency distribution was made to reveal the number of cases contained in each of the yes/no categories of the one-stop shopping question. A frequency distribution simply summarizes what percentage of those sampled preferred one-stop shopping as compared to those that did not.

To measure possible relationships between one-stop shopping and the other variables outlined in the second hypothesis, a series of cross-tabulations was completed.

Cross-tabulation is used to determine whether there is a relationship between two nominally scaled, categorical variables. For instance: is there a relationship between a respondent being male or female and whether they prefer (yes or no) one-stop shopping? To draw a conclusion, the Chi-Square statistic, or measure, was used.

This measure of relationship not only reveals the degree of association between variables but also reports the statistical significance of the relationship. If a relationship between two variables is "statistically significant", this signals or "signifies" that the variables being tested are quite likely to actually be related to one another in the population. Such findings of significance are required in order to make a statistical inference, or statement, that the same relationship exists in the population.

Prior to testing for significance an alpha level, or probability for a Type

I Error, was set. The alpha level is a bench mark for determining whether the relationship found to be significant in fact does not exist in the actual population.

Realizing the importance of accuracy for this report, an alpha level of .001 was used to determine significance. Therefore, in order for a relationship to be accepted as statistically significant for this study, there had to be one chance in 1,000 that the significant relationship between variables revealed by the sample in fact did not exist in the population.

EXHIBIT 7

October 1986

University of North Dakota
Management Department
Sharon G. Richmond
Box 8050, University Station
Grand Forks, North Dakota 58202

Dear Respondent;

The accompanying questionnaire is being conducted through the Masters of Business Administration (M.B.A.) program at the University of North Dakota. The questionnaire is intended to survey the behaviors of mature consumers in the area of financial products/services.

Your name was randomly selected from the total list of residents listed in the Grand Forks County Directory. You can be absolutely sure all of your answers will be kept strictly confidential.

Your answers will be combined with those of many others and used only for statistical analysis. To insure that your response is totally anonymous, please do not put your name on the survey.

The enclosed questionnaire has been designed so you can complete it easily in a couple of minutes. I only ask that you answer all three pages of questions openly. For your convenience I have enclosed a postage paid return envelope to send your questionnaire back to me. Please take a few minutes now to complete and return the questionnaire.

I look forward to receiving your response, and thank you for your time.

Sincerely,

Sharon G. Richmond

Sharon G. Richmond

FINANCIAL ACTIVITIES OF MATURE CONSUMERS

AS A UNIVERSITY OF NORTH DAKOTA GRADUATE STUDENT I AM CONDUCTING A SURVEY CONCERNING THE FINANCIAL ACTIVITIES OF MATURE CONSUMERS. THE SURVEY HAS BEEN DESIGNED SO YOU CAN COMPLETE IT EASILY IN A COUPLE MINUTES. PLEASE DO NOT PUT YOUR NAME ON THE SURVEY TO INSURE THAT YOUR RESPONSES ARE KEPT CONFIDENTIAL AND TOTALLY ANONYMOUS. THANK YOU!

1. WHICH OF THE FOLLOWING FINANCIAL PRODUCTS/SERVICES DO YOU PRESENTLY HAVE OR USE?

DIRECTIONS: TO RESPOND TO THIS QUESTION CHECK THE COLUMN OF THE TYPE OF FINANCIAL INSTITUTION WHICH PRESENTLY PROVIDES YOU WITH THE LISTED PRODUCTS/SERVICES. **EXAMPLE:** BELOW IS A SAMPLE RESPONSE FROM A RESPONDENT WHO HAD: A **CHECKING ACCOUNT** THROUGH A **COMMERCIAL BANK;** A **SAVINGS ACCOUNT** THROUGH A **CREDIT UNION** AND A **SAVINGS AND LOAN ASSOCIATION;** AND NO **SECOND MORTGAGE WITH ANY FINANCIAL INSTITUTION.**

EXAMPLE:	COMMERCIAL BANK	SAVINGS & LOAN	CREDIT UNION	STOCK BROKER	FINANCE COMPANY	INSURANCE COMPANY	NONE
CHECKING ACCOUNT	X						
SAVINGS ACCOUNT		X	X				
SECOND MORTGAGE							X

QUESTION 1: PLEASE CHECK YOUR RESPONSES TO QUESTION 1 IN THE COLUMNS BELOW:

	COMMERCIAL BANK	SAVINGS & LOAN	CREDIT UNION	STOCK BROKER	FINANCE COMPANY	INSURANCE COMPANY	NONE
SAVINGS ACCOUNT							
FINANCIAL COUNSELING							
CHECKING ACCOUNT							
TAX COUNSELING							
CERTIFICATES OF DEPOSIT							
SAFE DEPOSIT BOX							
MONEY MARKET ACCOUNT							
IRA ACCOUNT							
DISCOUNT BROKERAGE SERVICE							
STOCKS							
GOVERNMENT BONDS							
INSTANT CASH CARD							
HOME IMPROVEMENT LOAN							
TRUST SERVICE							
AUTOMATIC LOAN PAYMENT							
TREASURY BILLS							
KEOGH ACCOUNT							
FIRST MORTGAGE							
SECOND MORTGAGE							
INSURANCE							
MUTUAL FUNDS PORTFOLIO							
BANK ISSUED CREDIT CARD							
AUTOMATIC ELECTRONIC TRANSFER CARD							
INSTALLMENT LOAN (AUTO, HOME, PERSONAL)							
DIRECT DEPOSIT FOR SOCIAL SECURITY PAYMENTS							
TRAVEL PLANNING SERVICE							
TRAVELER'S CHECKS							
24-HOUR TELLER SERVICE							
MONEY ORDERS							
ACCOUNT RELOCATION SERVICE							
REAL ESTATE MANAGEMENT SERVICE							
SENIOR CITIZEN DISCOUNTS							
ANNUITIES							
OTHER (PLEASE EXPLAIN)							

FINANCIAL ACTIVITIES OF MATURE CONSUMERS

2. WHICH OF THE FOLLOWING FINANCIAL INSTITUTIONS DO YOU MOST CLOSELY ASSOCIATE WITH EACH OF THE FOLLOWING PRODUCTS/SERVICES?

DIRECTIONS: TO RESPOND TO QUESTION 2. CHECK THE COLUMN OF THE KIND OF FINANCIAL INSTITUTION YOU MOST CLOSELY ASSOCIATED WITH THE LISTED FINANCIAL PRODUCTS/SERVICES. **EXAMPLE:** BELOW IS A SAMPLE FROM A RESPONDENT WHO ASSOCIATED A **SAVINGS ACCOUNT** WITH A **CREDIT UNION;** A **SAFE DEPOSIT BOX** WITH A **COMMERCIAL BANK;** AND **FINANCIAL COUNSELING** WITH **NONE** OF THE FINANCIAL INSTITUTIONS.

EXAMPLE:	COMMERCIAL BANK	SAVINGS & LOAN	CREDIT UNION	STOCK BROKER	FINANCE COMPANY	INSURANCE COMPANY	NONE
SAVINGS ACCOUNT			X				
SAFE DEPOSIT BOX	X						
FINANCIAL COUNSELING							X

QUESTION 2: PLEASE CHECK YOUR RESPONSES TO QUESTION 2 IN THE COLUMNS BELOW:

	COMMERCIAL BANK	SAVINGS & LOAN	CREDIT UNION	STOCK BROKER	FINANCE COMPANY	INSURANCE COMPANY	NONE
SAVINGS ACCOUNT							
FINANCIAL COUNSELING							
CHECKING ACCOUNT							
CERTIFICATES OF DEPOSIT							
TAX COUNSELING							
SAFE DEPOSIT BOX							
MONEY MARKET ACCOUNT							
DISCOUNT BROKERAGE SERVICE							
IRA ACCOUNT							
STOCKS (PURCHASE/SALE)							
GOVERNMENT BONDS (PURCHASE/SALE)							
HOME IMPROVEMENT LOAN							
AUTOMATIC LOAN PAYMENT							
KEOGH ACCOUNT							
INSTANT CASH CARD							
FIRST MORTGAGE							
TRUST SERVICE							
FREASURY BILLS							
SECOND MORTGAGE							
MUTUAL FUNDS PORTFOLIO							
PERSONAL CREDIT CARD							
INSURANCE							
INSTALLMENT LOAN (AUTO, HOME, PERSONAL)							
AUTOMATIC ELECTRONIC TRANSFER CARD							
DIRECT DEPOSIT FOR SOCIAL SECURITY PAYMENTS							
TRAVEL PLANNING SERVICE							
TRAVELER'S CHECKS							
24-HOUR TELLER SERVICE							
MONEY ORDERS							
ACCOUNT RELOCATION SERVICE							
REAL ESTATE MANAGEMENT SERVICE							
SENIOR CITIZEN DISCOUNTS							
ANNUITIES							
OTHER (PLEASE EXPLAIN)							

FINANCIAL ACTIVITIES OF MATURE CONSUMERS

3. WERE ALL THE PRODUCTS/SERVICES YOU LISTED AS HAVING IN QUESTION #1 ALL OBTAINED FROM ONE FINANCIAL INSTITUTION?

   ☐ YES (SKIP NEXT QUESTIONS) ☐ NO (GO TO NEXT QUESTION)

4. IF YOU ANSWERED "NO" TO QUESTION #3, HOW MANY INSTITUTIONS SUPPLIED ALL YOUR FINANCIAL PRODUCTS/SERVICES?

   ☐ TWO
   ☐ THREE
   ☐ FOUR
   ☐ FIVE OR MORE

5. ARE ANY OF YOUR FINANCIAL NEEDS SERVED BY FINANCIAL INSTITUTIONS IN EITHER OF THE FOLLOWING CATEGORIES?

   (A) OUTSIDE GRAND FORKS COUNTY?
   ☐ YES ☐ NO

   (B) OUTSIDE NORTH DAKOTA?
   ☐ YES ☐ NO

6. IF ALL YOUR FINANCIAL NEEDS COULD BE MET BY ONE FINANCIAL INSTITUTION WOULD YOU PREFER TO TO SHOP FOR THEM AT ONE LOCATION?

   ☐ YES ☐ NO

7. PLEASE INDICATE YOUR SEX?

   ☐ MALE ☐ FEMALE

8. PLEASE INDICATE YOUR AGE __________ (YEARS)

9. WHAT WAS THE HIGHEST LEVEL OF EDUCTION YOU COMPLETED? (✓) PLEASE CHECK

   ☐ GRADE SCHOOL OR LESS
   ☐ HIGH SCHOOL GRADUATE
   ☐ SOME COLLEGE
   ☐ COLLEGE GRADUATE
   ☐ POSTGRADUATE STUDY

10. PLEASE ESTIMATE YOUR <u>INDIVIDUAL</u> INCOME FOR 1986. (✓) PLEASE CHECK

☐ UNDER $5,000	☐ $50,000-$59,999
☐ $5,000-$9,999	☐ $60,000-$69,999
☐ $10,000-$19,999	☐ $70,000-$79,999
☐ $20,000-$29,999	☐ $80,000-$89,999
☐ $30,000-$39,999	☐ $90,000-$99,999
☐ $40,000-$49.999	☐ $100,000 OR MORE

11. PLEASE ESTIMATE YOUR <u>TOTAL HOUSEHOLD</u> INCOME (INCLUDE SPOUSE) (✓) PLEASE CHECK

☐ UNDER $5,000	☐ $50,000-$59,999
☐ $5,000-$9,999	☐ $60,000-$69,999
☐ $10,000-$19,999	☐ $70,000-$79,999
☐ $20,000-$29,999	☐ $80,000-$89,999
☐ $30,000-$39,999	☐ $90,000-$99,999
☐ $40,000-$49,999	☐ $100,000 OR MORE

THANK YOU FOR YOUR TIME! PLEASE TAKE A FEW MINUTES AND RETURN YOUR SURVEY IN THE ENCLOSED POSTAGE PAID RETURN ENVELOPE.

Waiting to hear from you!

Dear Respondent:

A few weeks ago I sent you a survey concerning the financial activities of mature consumers. I have been awaiting the return of your survey. If you have already returned the survey, I thank you! If you haven't, please take a few minutes to complete and return the questionnaire today.

If you have misplaced the postage paid return envelope, simply send your completed questionnaire to: Sharon Richmond, University of North Dakota, Management Department, Box 8050, University Station, Grand Forks, North Dakota 58202.

Thank you again for your attention and time.

Sincerely,

Sharon G. Richmond

Sharon G. Richmond

University of North Dakota
Management Department
Sharon G. Richmond
Box 8050, University Station
Grand Forks, North Dakota 58202-8050

SUMMARY OF SURVEY RESULTS

SAMPLE CHARACTERISTICS

Of the 321 persons respondents, 156 (49%) were men and 165 (51%) were women. Of the total 332 surveyed, 24.1% had completed grade school or less, while 27.8% were high school graduates, 38.5% had some or all of college completed and, 9.6% had done postgraduate work.

Ages for those 332 who responded ranged from 24 to 95 years. Those respondents falling outside the market segment of interest were only 4.5%. Those between the ages of 56 and 95 accounted for 91% (302) of those sampled. The most frequent age was 70-years accounting for 5.6% or 18 of those sampled

Based on a total response of 311, the mode, or most frequent individual income level represented in the sample, was $10,000-$19,999 accounting for 28.3% (84 persons). The second most frequent category selected for individual income was $5,000-$9,999 accounting for 24.8% (77 persons). The third most frequently selected category was $20,000-$29,999 accounting for 16.7% (52 persons).

Similar patterns in frequency, not percentages, to those categories specified above for individual incomes occurred for total household income among the 281 who responded. A summary of percentages follows this section.

When asked if they obtained all their financial products and services from one financial institution, 240 said no while 77 said yes, of the 317 who responded.

Of the 238 requiring more than one financial institution to supply their needs: 100 required two, 77 required three, 32 required four and 29 required five or more.

SUMMARY OF SURVEY RESULTS

Financial services obtained outside Grand Forks County accounted for 37.9%, or 114 persons, of the 301 who responded. The remaining 187 did not. Of the 239 respondents who indicated whether they acquire services inside or outside the state of North Dakota, 101 (34.5%) answered outside and 192 (65.5%) answered inside.

Finally, when respondents were asked if they preferred one-stop shopping, 141 persons (46.6%) said no, while 162 (53.3%) said yes of the 304 who responded.

FINANCIAL ACTIVITIES OF MATURE CONSUMERS AND DEMOGRAPHIC SUMMARIES FROM SURVEY

(1) WERE ALL YOUR SERVICES OBTAINED FROM ONE FINANCIAL INSTITUTION?

YES 24.3% NO 75.7%

(2) HOW MANY INSTITUTIONS SUPPLIED YOUR PRODUCTS/SERVICES?

TWO	41.8%
THREE	32.4%
FOUR	13.4%
FIVE +	12.4%

(3) FINANCIAL NEEDS SERVED:

A. OUTSIDE GRAND FORKS COUNTY

YES 37.9% NO 62.1%

B. OUTSIDE NORTH DAKOTA

YES 34.5% NO 65.5%

(4) DO MATURE CONSUMERS PREFER ONE-STOP SHOPPING?

YES 53.3% NO 46.7%

(5) SEX:

SURVEY RESULTS		1980 CENSUS **
MALE 49%	FEMALE 51%	MALE 44%
		FEMALE 56%

(6) AGE:

MODE: 70 YEARS (5.6%)

AGE OF RESPONDENT	PERCENTAGE OF SAMPLE (332)
NO AGE GIVEN	2.7%
24-40 YEARS	1.8%
41-55 YEARS	4.5%
56-64 YEARS	14.5%
65-83 YEARS	68.7%
84-95 YEARS	7.8%

ADDITIONAL SURVEY SUMMARY OF AGE:

NO AGE GIVEN	2.7%
24-55 YEARS	6.3%
56-95 YEARS	91.0%

**NOTE: ACCORDING TO THE 1980 CENSUS OF POPULATION AND HOUSING, THERE ARE SIX TIMES MORE WIDOWED WOMEN THAN MEN IN GRAND FORKS COUNTY. THIS COULD SUPPORT THE REASON FOR A HIGHER PERCENTAGE OF WOMEN RESPONDENTS IN THIS SAMPLE.

DEMOGRAPHIC SUMMARIES FROM SURVEY

(7) WHAT WAS THE HIGHEST LEVEL OF EDUCATION COMPLETED?

	SURVEY	1980 CENSUS
GRADE SCHOOL OR LESS	24.1%	15.7%
HIGH SCHOOL GRADUATE	27.8%	76.2%
SOME COLLEGE	28.3%	21.5%
COLLEGE GRADUATE	10.2%	22.58%
POSTGRADUATE STUDY	9.6%	NA

(8) SURVEY INCOME LEVELS:

INCOME LEVEL	INDIVIDUAL	TOTAL
UNDER $5,000	12.5%	8.9%
$5,000-$9,999	24.8%	18.9%
$10,000-$19,999	28.3%	29.9%
$20,000-$29,999	16.7%	16.7%
$30,000-$39,999	8.4%	13.9%
$40,000-$49,999	4.2%	5.3%
$50,000-$59,999	1.9%	2.1%
$60,000-$69,999	1.3%	1.4%
$70,000-$79,999	.3%	.4%
$80,000-$89,999	0%	0%
$90,000-$99,999	0%	.4%
$100,000 OR MORE	1.6%	2.1%

1980 CENSUS ON TOTAL HOUSEHOLD INCOME

LESS THAN $5,000	11.7%
$5,000-$9,999	18.7%
$10,000-$19,999	33.7%
$20,000-$49,999	32.9%
$50,000 OR MORE	2.9%

(9) WHERE WERE THE RESPONDENTS LOCATED?

CITY 66% URBAN 34%

SUMMARY OF SURVEY RESULTS

WHICH FINANCIAL SERVICES AND PRODUCTS ARE GRAND FORKS COUNTY MATURE CONSUMERS PRESENTLY USING?

To answer this question a series of frequency distributions was run on all the variables in question one. In question one, respondents had 231 possible choices to compare their financial activities against.

This total included the choice of six financial institutions and the response "none" against 33 different financial products and services. Distribution tables were then organized by financial product and service to offer a percentage summary of each based on 332 respondents.

Each table, following this section reflects what percentages of the sample use or do not use a given service/product with a given financial institutions. Of all the services listed in question one, the top three services employed most overall by this market segment included checking accounts (95.5%), savings accounts (84.9%), and insurance (74.1%). While the bulk of checking and savings accounts were held with commercial banks and savings and loan associations, insurance companies supplied the bulk of their insurance needs.

In contrast, of all the services listed, the three employed the least included an account relocation service (98.8%), any real estate management (98.2%) and, the holding of a second mortgage (97%).

Other services and products high on the list of not having or using included a first mortgage, a home improvement loan, a Keogh plan, a bank issued personal credit card, an instant cash card, an IRA account, the use of a trust service, automatic loan payment, an A.E.T. card, treasury bills, or financial counseling.

SUMMARY OF SURVEY RESULTS

Products and financial services more evenly split between the users and the nonusers included the use of a safe deposit box (58.4% do and 40.1% don't), the holding of a money market account (44.%3 do and 55.7% don't), and the use of social security direct deposit (51.5% do and 48.5% don't).

Based on other studies, it was not too surprising to find so few respondents holding debt-oriented products and so many more employing savings-oriented accounts. Such results parallel other references to this market segment's tendency toward high disposable income, low tolerance to risk and resistance to the use of electronic service devices.

FUTURE ACTIVITIES?

Further analysis was made of the frequency distributions to answerthe following question. IN THE FUTURE WHEN MATURE CONSUMERS SEEK FINANCIAL SERVICES, WHAT PERCENTAGE OF THEM WILL SEEK THE SERVICE THROUGH A COMMERCIAL BANK?

To quantify an answer, the percentage found for respondents who indicated they had a given service was multiplied times the percentage that indicated they had the service/product presently with a commercial bank. A summary follows at the end of this section.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
PRESENTLY HELD BY MATURE CONSUMERS
IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: SAVINGS ACCOUNT

Financial Institution	% With Each Institution **
COMMERCIAL BANK	64.8 %
SAVINGS & LOAN	41.0 %
CREDIT UNION	8.4 %
STOCK BROKER	5.4 %
FINANCE COMPANY	.9 %
INSURANCE COMPANY	6.6 %

SUMMARY:......................84.9% WITH THIS SERVICE
15.1% WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: FINANCIAL COUNSELING

Financial Institution	% With Each Institution **
COMMERCIAL BANK	14.5 %
SAVINGS & LOAN	3.0 %
CREDIT UNION	0 %
STOCK BROKER	6.6 %
FINANCE COMPANY	.6 %
INSURANCE COMPANY	2.1 %

SUMMARY:......................22.6 % WITH THIS SERVICE
77.4 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: CHECKING ACCOUNT

Financial Institution	% With Each Institution **
COMMERCIAL BANK	91.6 %
SAVINGS & LOAN	14.5 %
CREDIT UNION	.6 %
STOCK BROKER	.3 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	.3 %

SUMMARY:..................... 95.5 % WITH THIS SERVICE
4.5 % WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
PRESENTLY HELD BY MATURE CONSUMERS
IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: TAX COUNSELING

Financial Institution	% With Each Institution **
COMMERCIAL BANK	4.5 %
SAVINGS & LOAN	1.5 %
CREDIT UNION	0 %
STOCK BROKER	2.4%
FINANCE COMPANY	.3%
INSURANCE COMPANY	1.8%
SUMMARY:......................	10.2% WITH THIS SERVICE
	89.8% WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: CERTIFICATE OF DEPOSIT

Financial Institution	% With Each Institution **
COMMERCIAL BANK	46.4 %
SAVINGS & LOAN	29.2 %
CREDIT UNION	.3 %
STOCK BROKER	2.1%
FINANCE COMPANY	.6%
INSURANCE COMPANY	0%
SUMMARY:....................	59.9 % WITH THIS SERVICE
	40.1 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: SAFE DEPOSIT BOX

Financial Institution	% With Each Institution **
COMMERCIAL BANK	57.5 %
SAVINGS & LOAN	.9 %
CREDIT UNION	0 %
STOCK BROKER	0 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	0 %
SUMMARY:....................	58.4 % WITH THIS SERVICE
	40.1 % WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
PRESENTLY HELD BY MATURE CONSUMERS
IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: MONEY MARKET ACCOUNT

Financial Institution	% With Each Institution **
COMMERCIAL BANK	30.4 %
SAVINGS & LOAN	15.1 %
CREDIT UNION	.3 %
STOCK BROKER	3.9 %
FINANCE COMPANY	.6 %
INSURANCE COMPANY	1.2 %

SUMMARY:.................... 44.3 % WITH THIS SERVICE
55.7 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: IRA ACCOUNT

Financial Institution	% With Each Institution **
COMMERCIAL BANK	16.6 %
SAVINGS & LOAN	8.7 %
CREDIT UNION	.3 %
STOCK BROKER	1.5 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	1.2 %

SUMMARY:.................... 26.2 % WITH THIS SERVICE
73.8 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: DISCOUNT BROKERAGE SERVICE

Financial Institution	% With Each Institution **
COMMERCIAL BANK	.9 %
SAVINGS & LOAN	.3 %
CREDIT UNION	0 %
STOCK BROKER	2.7 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	0 %

SUMMARY:.................... 3.6 % WITH THIS SERVICE
96.4 % WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
PRESENTLY HELD BY MATURE CONSUMERS
IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: STOCKS

Financial Institution	% With Each Institution **
COMMERCIAL BANK	4.8 %
SAVINGS & LOAN	1.5 %
CREDIT UNION	0 %
STOCK BROKER	17.2 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	0 %

SUMMARY:.................... 22.9 % WITH THIS SERVICE
77.1 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: BONDS

Financial Institution	% With Each Institution **
COMMERCIAL BANK	23.5 %
SAVINGS & LOAN	.9 %
CREDIT UNION	.3 %
STOCK BROKER	1.5 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	0 %

SUMMARY:.................... 26.2 % WITH THIS SERVICE
73.8 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: INSTANT CASH CARD

Financial Institution	% With Each Institution **
COMMERCIAL BANK	25.9 %
SAVINGS & LOAN	3.0 %
CREDIT UNION	0 %
STOCK BROKER	0 %
FINANCE COMPANY	.3 %
INSURANCE COMPANY	0 %

SUMMARY:.................... 28.0 % WITH THIS SERVICE
72.0 % WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES PRESENTLY HELD BY MATURE CONSUMERS IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: HOME IMPROVEMENT LOAN

Financial Institution	% With Each Institution **
COMMERCIAL BANK	2.1 %
SAVINGS & LOAN	1.5 %
CREDIT UNION	0 %
STOCK BROKER	0 %
FINANCE COMPANY	.3 %
INSURANCE COMPANY	.3 %

SUMMARY:..................... 4.2 % WITH THIS SERVICE
95.8 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: TRUST SERVICE

Financial Institution	% With Each Institution **
COMMERCIAL BANK	8.4 %
SAVINGS & LOAN	.3 %
CREDIT UNION	0 %
STOCK BROKER	.3 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	.3 %

SUMMARY:..................... 9.0 % WITH THIS SERVICE
91.0 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: AUTOMATIC LOAN PAYMENT

Financial Institution	% With Each Institution **
COMMERCIAL BANK	5.4 %
SAVINGS & LOAN	1.8 %
CREDIT UNION	.3 %
STOCK BROKER	0 %
FINANCE COMPANY	.6 %
INSURANCE COMPANY	0 %

SUMMARY:..................... 7.8 % WITH THIS SERVICE
92.2 % WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
PRESENTLY HELD BY MATURE CONSUMERS
IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: TREASURY BILLS

Financial Institution	% With Each Institution **	
COMMERCIAL BANK	6.3 %	
SAVINGS & LOAN	1.2 %	
CREDIT UNION	0 %	
STOCK BROKER	.6 %	
FINANCE COMPANY	0 %	
INSURANCE COMPANY	0 %	
SUMMARY:....................	7.8 %	WITH THIS SERVICE
	92.2 %	WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: KEOGH ACCOUNT

Financial Institution	% With Each Institution **	
COMMERCIAL BANK	2.4 %	
SAVINGS & LOAN	2.4 %	
CREDIT UNION	0 %	
STOCK BROKER	.6 %	
FINANCE COMPANY	0 %	
INSURANCE COMPANY	.6 %	
SUMMARY:....................	6.0 %	WITH THIS SERVICE
	94.0 %	WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: FIRST MORTGAGE

Financial Institution	% With Each Institution **	
COMMERCIAL BANK	2.1 %	
SAVINGS & LOAN	3.6 %	
CREDIT UNION	.3 %	
STOCK BROKER	0 %	
FINANCE COMPANY	.9 %	
INSURANCE COMPANY	.3 %	
SUMMARY:....................	7.2 %	WITH THIS SERVICE
	92.8 %	WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
PRESENTLY HELD BY MATURE CONSUMERS
IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: SECOND MORTGAGE

Financial Institution	% With Each Institution **	
COMMERCIAL BANK	1.2 %	
SAVINGS & LOAN	.9 %	
CREDIT UNION	0 %	
STOCK BROKER	0 %	
FINANCE COMPANY	0 %	
INSURANCE COMPANY	.9 %	
SUMMARY:....................	3.0 %	WITH THIS SERVICE
	97.0 %	WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: INSURANCE

Financial Institution	% With Each Institution **	
COMMERCIAL BANK	.9 %	
SAVINGS & LOAN	0 %	
CREDIT UNION	.9 %	
STOCK BROKER	.9 %	
FINANCE COMPANY	.3 %	
INSURANCE COMPANY	67.3 %	
SUMMARY:....................	74.1 %	WITH THIS SERVICE
	25.9 %	WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: MUTUAL FUNDS PORTFOLIO

Financial Institution	% With Each Institution **	
COMMERCIAL BANK	2.4 %	
SAVINGS & LOAN	0 %	
CREDIT UNION	0 %	
STOCK BROKER	9.0 %	
FINANCE COMPANY	1.2 %	
INSURANCE COMPANY	2.4 %	
SUMMARY:....................	14.5 %	WITH THIS SERVICE
	85.5 %	WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
PRESENTLY HELD BY MATURE CONSUMERS
IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: PERSONAL CREDIT CARD

Financial Institution	% With Each Institution **	
COMMERCIAL BANK	32.5 %	
SAVINGS & LOAN	2.1 %	
CREDIT UNION	.3 %	
STOCK BROKER	0 %	
FINANCE COMPANY	.6 %	
INSURANCE COMPANY	.3 %	
SUMMARY:.....................	34.6 %	WITH THIS SERVICE
	65.4 %	WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: A.E.T. CARD

Financial Institution	% With Each Institution **	
COMMERCIAL BANK	9.3 %	
SAVINGS & LOAN	.6 %	
CREDIT UNION	0 %	
STOCK BROKER	0 %	
FINANCE COMPANY	0 %	
INSURANCE COMPANY	0 %	
SUMMARY:.....................	9.0 %	WITH THIS SERVICE
	90.1 %	WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: INSTALLMENT LOAN

Financial Institution	% With Each Institution **	
COMMERCIAL BANK	6.9 %	
SAVINGS & LOAN	.9 %	
CREDIT UNION	1.2 %	
STOCK BROKER	0 %	
FINANCE COMPANY	1.8 %	
INSURANCE COMPANY	.3 %	
SUMMARY:.....................	9.9 %	WITH THIS SERVICE
	90.1 %	WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
PRESENTLY HELD BY MATURE CONSUMERS
IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: SOCIAL SECURITY DIRECT DEPOSIT

Financial Institution	% With Each Institution **
COMMERCIAL BANK	47.9 %
SAVINGS & LOAN	3.6 %
CREDIT UNION	0 %
STOCK BROKER	0 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	.3 %

SUMMARY:..................... 51.5 % WITH THIS SERVICE
48.5 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: TRAVEL PLANNING

Financial Institution	% With Each Institution **
COMMERCIAL BANK	1.2 %
SAVINGS & LOAN	1.2 %
CREDIT UNION	0 %
STOCK BROKER	0 %
FINANCE COMPANY	.3 %
INSURANCE COMPANY	3.0 %

SUMMARY:..................... 5.7 % WITH THIS SERVICE
94.3 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: TRAVELER'S CHECKS

Financial Institution	% With Each Institution **
COMMERCIAL BANK	33.7 %
SAVINGS & LOAN	12.3 %
CREDIT UNION	.3 %
STOCK BROKER	0 %
FINANCE COMPANY	.3 %
INSURANCE COMPANY	.3 %

SUMMARY:..................... 45.2 % WITH THIS SERVICE
54.8 % WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
PRESENTLY HELD BY MATURE CONSUMERS
IN GRAND FORKS COUNTY

FINANCIAL PRODUCT/SERVICE: 24-HOUR TELLER SERVICE

Financial Institution	% With Each Institution **
COMMERCIAL BANK	17.8 %
SAVINGS & LOAN	1.5 %
CREDIT UNION	0 %
STOCK BROKER	0 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	0 %
SUMMARY:....................	19.0 % WITH THIS SERVICE
	81.0 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: MONEY ORDERS

Financial Institution	% With Each Institution **
COMMERCIAL BANK	15.1 %
SAVINGS & LOAN	3.9 %
CREDIT UNION	0 %
STOCK BROKER	0 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	0 %
SUMMARY:....................	18.4 % WITH THIS SERVICE
	81.6 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: ACCOUNT RELOCATION SERVICE

Financial Institution	% With Each Institution **
COMMERCIAL BANK	.9 %
SAVINGS & LOAN	.3 %
CREDIT UNION	0 %
STOCK BROKER	0 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	0 %
SUMMARY:....................	1.2 % WITH THIS SERVICE
	98.8 % WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

AN INVENTORY OF FINANCIAL PRODUCTS AND SERVICES
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FINANCIAL PRODUCT/SERVICE: REAL ESTATE MANAGEMENT

Financial Institution	% With Each Institution **
COMMERCIAL BANK	1.2 %
SAVINGS & LOAN	.3 %
CREDIT UNION	0 %
STOCK BROKER	0 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	.3 %

SUMMARY:...................... 1.8 % WITH THIS SERVICE
98.2 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: SENIOR CITIZEN DISCOUNTS

Financial Institution	% With Each Institution **
COMMERCIAL BANK	12.7 %
SAVINGS & LOAN	1.5 %
CREDIT UNION	0 %
STOCK BROKER	.3 %
FINANCE COMPANY	.3 %
INSURANCE COMPANY	2.1 %

SUMMARY:...................... 16.0 % WITH THIS SERVICE
84.0 % WITHOUT THIS SERVICE

FINANCIAL PRODUCT/SERVICE: ANNUITIES

Financial Institution	% With Each Institution **
COMMERCIAL BANK	3.3 %
SAVINGS & LOAN	.6 %
CREDIT UNION	0 %
STOCK BROKER	.3 %
FINANCE COMPANY	0 %
INSURANCE COMPANY	6.6 %

SUMMARY:...................... 10.5 % WITH THIS SERVICE
89.5 % WITHOUT THIS SERVICE

** NOTE: THE % WITH EACH INSTITUTION DOESN'T TOTAL 100% BECAUSE MORE THAN ONE KIND OF FINANCIAL INSTITUTION PROVIDED THE SERVICE OR PRODUCT. EACH CATEGORY DOES REPORT, HOWEVER, THE PERCENTAGE OF RESPONDENTS WITH AN ACCOUNT AT THE GIVEN INSTITUTION.

FUTURE FINANCIAL ACTIVITIES OF MATURE CONSUMERS
BASED ON THIS STUDY'S SURVEY RESULTS

QUESTION: IN THE FUTURE, WHEN MATURE CONSUMERS SEEK THE FOLLOWING SERVICES, WHAT PERCENTAGE OF THEM WILL SEEK THE SERVICE THROUGH A COMMERCIAL BANK VERSUS ANOTHER FINANCIAL INSTITUTION? [1]

SERVICE	PERCENTAGE
SAVINGS ACCOUNT	55%
FINANCIAL COUNSELING	3%
CHECKING ACCOUNT	87%
CERTIFICATE OF DEPOSIT	28%
TAX COUNSELING	.4%
SAFE DEPOSIT BOX	34%
MONEY MARKET ACCOUNT	13%
DISCOUNT BROKERAGE SERVICE	4%
IRA ACCOUNT	.03%
STOCKS PURCHASE/SALE	1%
BONDS PURCHASE/SALE	6%
INSTANT CASH CARD	7%
HOME IMPROVEMENT LOAN	08%
TRUST SERVICE	.7%
AUTOMATIC LOAN PAYMENT	.4%
TREASURY BILLS	.4%
KEOGH ACCOUNT	.1%
FIRST MORTGAGE	.2%
SECOND MORTGAGE	03%
INSURANCE	.6%
MUTUAL FUNDS PORTFOLIO	.3%
BANK ISSUED CREDIT CARD	11%
A.E.T. CARD	.8%
INSTALLMENT LOAN	.6%
SOCIAL SECURITY DIRECT DEPOSIT	25%
TRAVEL PLANNING	.06%
TRAVELER'S CHECKS	15.0%
24-HOUR TELLER SERVICE	3.3%
MONEY ORDERS	2.7%
ACCOUNT RELOCATION SERVICE	.01%
REAL ESTATE MANAGEMENT	.02%
SENIOR CITIZENS DISCOUNTS	2.0%
ANNUITIES	.3%

[1] ALL PERCENTAGES PRESENTED IN THIS TABLE ARE POINT ESTIMATORS. THE SUMMARY IS BASED ON A 5% (PLUS OR MINUS THE POINT ESTIMATOR) ALLOWANCE FOR ERROR.

SUMMARY OF SURVEY RESULTS

DO MATURE CONSUMERS ASSOCIATE CERTAIN FINANCIAL SERVICES/PRODUCTS WITH SPECIFIC KINDS OF FINANCIAL INSTITUTIONS?

In question two of the questionnaire, respondents were asked to check the financial institutions they most closely associated with a given financial products/service. Except for the more traditional financial accounts services, like checking and savings or services like safe deposit boxes or traveler's checks, most made no association.

The following summary of financial perceptions, indicates there are many areas open for competition between commercial banks, savings and loan associations and other depository institutions. With such a high percentage of respondents making no direct association between many of the product/services and a specific kind of financial institution these areas should be explored further.

In contrast, for the more traditional financial products--like savings and checking accounts, certificates of deposit, and products like safe deposit boxes-a large number of mature consumers associated them with either a commercial bank or a savings and loan association. Overall, however, mature consumers designated a commercial bank far more often than a savings and loan association when associating these traditional products/services.

For those items highly associated with a commercial bank, not only should the bank maintain the highest quality and service possible, but also use these services to cross-sell mature consumers into other services. By having such a high vote of confidence placed with certain products/services, a commercial bank can only benefit from this a position of strength or "niche".

On a separate note, it appears that as a result of deregulation creating a more level playing field between financial institutions, this market segment has also broken away from the more traditional associations. For instance, the once prominent identification between savings and loan associations and home mortgages no longer is true. This was evidenced by only 17.5% of the respondents associating

a savings and loan association with a first home mortgage while the other 68.4% of the respondents made no association with a financial institution at all.

Overall, it was surprising that not one financial service/product received over a 10% association with either a credit union or a finance company. It was not surprising, however, that the sale and/or purchase of stocks and bonds were highly associated with a stock broker. Nor that insurance was highly associated with an insurance company.

In the summary that follows, for an association to be counted, at least 20% of those who responded had to have made the product/service--financial institution association. Exceptions were made however to include third ranked associations for the purpose of providing additional information.

FINANCIAL PERCEPTIONS OF MATURE CONSUMERS
BASED ON THIS STUDY'S RESULTS

QUESTION: DO MATURE CONSUMERS ASSOCIATE FINANCIAL PRODUCTS AND SERVICES WITH CERTAIN KINDS OF FINANCIAL INSTITUTIONS?

1=COMMERCIAL BANK 2=SAVINGS & LOAN 3=CREDIT UNION 4=STOCK BROKER
5=FINANCE COMPANY 6=INSURANCE COMPANY 7=NO ASSOCIATION MADE

SERVICE/PRODUCT	FINANCIAL INSTITUTIONS					
	1	2	3	4	5	6	7
SAVINGS ACCOUNT	53%	30.1%					16.9%
FINANCIAL COUNSELING	20.2%						67.5%
CHECKING ACCOUNT	75.3%						21.7%
CERTIFICATE OF DEPOSIT	43.7%	20.8%					35.5%
TAX COUNSELING							88.3%
SAFE DEPOSIT BOX	56.6%						42.8%
MONEY MARKET ACCOUNT	34.9%						49.4%
DISCOUNT BROKERAGE				20.2%			77.1%
IRA ACCOUNT	25.0%	9.3%					63.3%
STOCKS PURCHASE/SALE				32.2%			62.2%
BONDS PURCHASE/SALE	31.0%						63.9%
INSTANT CASH CARD	37.7%						60.5%
HOME IMPROVEMENT LOAN	19.6%	15.4%					64.4%
TRUST SERVICE	29.5%						67.5%
AUTOMATIC LOAN PAYMENT	25.3%						69.3%

SERVICE/PRODUCT	1	2	3	4	5	6	7
TREASURY BILLS	25.3%						71.4%
KEOGH ACCOUNT	19.0%						71.1%
FIRST MORTGAGE	13.3%	17.5%					68.4%
SECOND MORTGAGE	13.9%	12.3%					72.0%
INSURANCE	3.6%					58.1%	38.3%
MUTUAL FUNDS PORTFOLIO	7.2%			20.5%			39.2%
BANK ISSUED CREDIT CARD	29.5%						64.5%
A.E.T. CARD	30 .4%						68.7%
INSTALLMENT LOAN	26.2%						64.2%
SOC.SEC.DIRECT DEPOSIT	57.2%						39.9%
TRAVEL PLANNING							90.7%
TRAVELER'S CHECKS	39.8%	11.4%					35.6%
24-HOUR TELLER SERVICE	35.6%						63.1%
MONEY ORDERS	25.9%	5.4%					68.7%
ACCOUNT RELOCATION	13.6%						85.5%
REAL ESTATE MANAGEMENT	8.4%	7.2%					82.4%
SENIOR CITIZENS DISCOUNTS	16.6%						77.1%
ANNUITIES	9.6%					11.7%	74.4%

NOTE: TO QUALIFY AS AN "ASSOCIATION" AT LEAST 20% OR 67 RESPONDENTS HAD TO HAVE MADE THAT PRODUCT/INSTITUTION SELECTION IN QUESTION #2 OF THIS STUDY'S QUESTIONNAIRE. OTHER % NOTED WERE FOR INTEREST.

SUMMARY OF SURVEY RESULTS

DO MATURE CONSUMERS PREFER ONE-STOP SHOPPING? AND ARE THERE VARIABLES WHICH EXPLAIN THIS PREFERENCE?

More Grand Forks County mature consumers (53.3%) preferred one-stop shopping than don't (46.7%). What variables might explain a preference for one-stop shopping?

To test for such variables, a series of Chi-Square models were analyzed. In each analysis the one-stop shopping variable (yes=1, no=0) were cross-tabulated against a series of other demographic variables. The bench mark for determining significance, as stated earlier, was one chance in 1,000 for a Type I Error.

Chi-Square was used to determine if there was a significant relationship, or association, between one-stop and other variables. The variables tested included one-stop versus sex (male=1, female=2), location (city=1, rural=2), education (college or less=10, more than 4-years college=20), services obtained outside Grand Forks County (yes=1, no=0), services obtained outside North Dakota (yes=1, no=0), income both individual and total household (less than $30,000=100, more than $30,000=200), and age (younger than 65=1, older than 65=2).

In the end only three variables were found to have a significant relationship with one-stop shopping. They included educational level, services obtained outside Grand Forks County and services obtained outside North Dakota. A summary of the Chi-Square results for each follows.

STATISTICAL TABLE FOR ONE STOP BY OUTGFK

VARIABLES: ONE STOP	OUTSIDE GRAND FORKS COUNTY 0	1	TOTAL
0	63	74	137
1	115	38	153
TOTAL	178	112	290

STATISTIC	DF	VALUE	PROB
CHI SQUARE	4	25.959	.000

STATISTICAL TABLE FOR ONE STOP BY EDUCATION

VARIABLES: ONE STOP	LEVEL OF EDUCATION 10	20	TOTAL
0	100	42	142
1	139	22	161
TOTAL	239	64	303

STATISTIC	DF	VALUE	PROB
CHI SQUARE	4	11.468	.001

STATISTICAL TABLE FOR ONE STOP BY OUTND

VARIABLES: ONE STOP	OUTSIDE NORTH DAKOTA 0	1	TOTAL
0	70	66	136
1	117	30	147
TOTAL	187	96	283

STATISTIC	DF	VALUE	PROB
CHI SQUARE	4	24.923	.000

ONE-STOP SHOPPING

The more highly educated the mature consumer is, the more he/she shops around for financial services and do not prefer one-stop shopping. In addition, it was discovered that one-stop shopping was not preferred by mature consumers who go outside Grand Forks County for their services. Those who don't go outside the county for their financial needs prefer one-stop shopping.

Lastly, those who preferred one-stop shopping also preferred not to go outside the state of North Dakota to obtain financial services, The exact opposite was found to occur among those who shopped outside North Dakota. Those respondents and did not prefer one-stop shopping.

Of all the three variables found to be significant with one-stop shopping, the last two variables (outside the county and state) simply verify the current practices of those mature consumers already shopping "around" by going outside their home base or home state. Comparatively, of the three variables found significant, the relationship between one-stop and level of education offered the most insight toward developing a strategy for reaching mature consumers who shop around, but may not presently be customers.

The activities of such highly educated customers suggest they would be more flexible to change but also be more knowledgeable about what the market has to offer. Likewise, because of their higher level of education, it is very possible, these mature consumers have a higher level of personal income to work with. This assumption however, would have to be tested further.

Mature consumers with higher levels of education would also be more receptive to newsletters featuring financial-oriented information about a bank's programs for seniors. The marketing avenues for reaching these mature consumers are endless. The first place to start is, right inside the bank by cross-selling the bank's strengthens. The key is to keep these wandering kinds of mature consumer customers from shopping around any more than they really have to.

As a final note, there are several additional variables which could be tested against one-stop shopping in the future. For instance, one-stop shopping could be cross-tabulated against its perceived risk, association with convenience, and potential for a stronger banker/customer relationship among mature consumers.

This recommendation would allow further study of other possible variables which explain the motivation behind mature consumers to choose one-stop shopping. For instance, do mature consumers shop around to reduce their risk by diversifying their holdings with several financial institutions? Or do they prefer to consolidate their activities to establish a more personal relationship with one financial institution as well as establish some clout when working out terms for borrowing? Or do they prefer one-stop shopping because they lack the time or expertise to investigate other financial avenues?

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