

# Bank gift premiums a defensive maneuver

By Charles Vaughn

Have you ever wondered why banks give gifts?

The object behind it is to attract new customers. But Rich Nordby, premium coordinator at Lincoln National Bank of Commerce, offers another reason. "We do it more for a defensive," Nordby said.

"Everyone else is doing it, so we do it. Otherwise we would be cutting our own throats."

He said he would prefer not to have gift promotions.

"We are in the financial business. We would rather concentrate on that."

Nordby admits premiums sometimes can increase business considerably.

"If you hit something that touches the hot button on the public it would increase our business."

Despite this, Nordby still says "premiums are a real pain."

Representatives from Commercial Federal and State Federal savings and loan companies say they feel the same way about premiums.

"I would like to see them outlawed," said Steve Baily, assistant vice president at State Federal.

"Then we could pay more on savings. Everyone would benefit."

Lois Anderson, an employee with Commercial Federal, said none of Lincoln's savings and loan companies would dare not offer premiums to customers.

"Then we would not feel competitive," she said. "But every customer wants a little bit more, so they can be a pain."

**Mixed feelings**

Anderson said she has mixed feelings about premiums.

"We have had an increase in customers since we have been running our current

program. We would like to think it was partly because of the premiums. I do think they work," she said.

Baily, however, maintains a definite stance about premiums. He said he took a stand against the gifts when attempts were made recently to have them banned.

"Premiums are to attract new business, but they have gotten out of hand. Once you become a customer you end up paying for them."

"You may not be getting a service you could be getting, or it may be at some time down the road. But, eventually, you pay."

Choosing the right item to be a premium can be difficult, Nordby said.

"We have a lot of salesmen who call on us. We try to select a product that has been created as a need by someone else."

**Decision complicated**

Making the decision more complicated are guidelines set by the Depository Institutions Deregulation Committee that establishes limits on the value of premiums. The current limits stipulate that for a deposit of less than \$5,000, the value of the gift cannot exceed \$5. For a deposit of more than \$5,000, the value cannot exceed \$10.

These limits are subject to change beginning next year. Nordby said the limits probably will be doubled at that time.

The reason for these limits is to prevent banks from avoiding interest rates that are set by federal agencies, he explained.

Several premium programs are offered locally.

"you can have a give-away, a one-shot or a continuity. It depends on the product," Nordby said.

State Federal favors a cumulative program that encourages large deposits, Bailey said.

"As long as they (premiums) are going to be here, we try to make the most out of them," he said.



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