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March 4, 1935

Mr. George J. Barthold, Vice Pres. & Treas.
The Miners and Mechanics Savings & Trust Co.
Steubenville, Ohio

Dear Mr. Barthold:

I appreciate very much your writing to me about the manner in which the real estate provisions of the proposed Banking Act of 1935 would effect your bank, and I quite agree with you that the provisions should be altered in order to take care of just such situations as the one you describe.

The point is one that I intend to develop fully in my testimony at the committee hearings on the bill.

The House Committee began hearings on Title II of the bill this morning, but at this session I presented only a prepared introductory statement. In the course of this statement, however, I suggested that it might be best, in the matter of real estate loans, to vest in the Federal Reserve Board the authority to prescribe rules and regulations, rather than for Congress to write them into the statute.

When I take up the detailed discussion of the section of the bill relating to real estate loans, it is my intention to show that the provisions as now drawn would work an undue hardship on some of our State member banks and would also operate in a similar manner against non-member banks that might presently desire to qualify for membership in the Federal Reserve System.

As a matter of fact, it seems to me that real estate loan restrictions, when incorporated in a statute, are necessarily arbitrary and impractical. Experience shows, furthermore, that they are ineffectual in operation, and cannot in any sense be regarded as a substitute for good judgment and good management.

The course that I would personally favor, therefore, is that of removing from the statute the detailed restrictions on

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real estate loans, and leaving to the Federal Reserve Board the matter of determining such rules and regulations as may be required in the light of the conditions existing at any given time. In this manner, the Board would be able to take account of the state of the real estate market, the mortgage market, and the banking and business community in general. 10

Yours sincerely,

M. S. Eccles,
Governor

