

CHARLES H. TENNEY
SPRINGFIELD, MASS.

June 17, 1938.

CHAIRMAN M. S. ECCLES,
Federal Reserve Board,
Washington, D. C.

Dear Sir:

I noticed in today's paper a dispatch which quotes you as saying, "The reason why bank credit is not flowing adequately into productive business channels is because the banks are under too severe restrictions in their loaning and investment operations": also, "the comptroller's regulation in effect confines permissible bank investments to registered securities that are given approved ratings by recognized rating firms and that have a wide and active market."

I have in mind just such a case, it seems to me. The Third National Bank and Trust Company of Springfield, Mass., of which I am a director, with thirty-five years' continuous service, has as collateral on a loan, 300 shares of Hampstead Trust and 300 shares of Radnor Trust. I enclose copy of letter I wrote to the Vice-President of the Third National Bank and Trust Company under date of April 14. The reason for this letter was the fact that the bank examiner would give no credit on the loan where this stock is held as collateral, although it is the only collateral which is bringing in any income.

I might say that this is a Massachusetts real estate trust. Something like fifteen years ago the bank had a loan with the builder who operated in Massachusetts and he built these two apartment houses on Memorial Drive, Cambridge. When he failed, the bank was requested to take it out of its mortgages and five of the directors, one of whom was myself, purchased the equity and the bank wrote off probably \$150,000. There were five of us and I think we paid about \$50,000 apiece. There were 1500 shares of each Trust and each fifth purchaser received 300 shares of each Trust. We had to spend a good deal of money on the property, so we paid no dividends until about five years ago and then we paid very handsome dividends. Since that time we have only paid about one-quarter of our net earnings, using the rest of the money to pay down on the mortgages held by the Boston Five Cents Savings Bank, and to make improvements. The property is in first class condition,

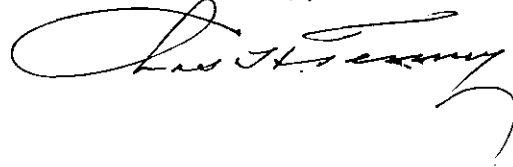
June 17/38.

is in a most desirable location and is today fully rented. The payments on the mortgage have been cut in two by the bank and the rate of interest reduced to $4\frac{3}{4}\%$, so that the mortgages are now \$258,750 on property values of \$730,000. The quick assets are \$25,000 and the quick liabilities - almost all accrued interest and taxes - \$7,000. The net income for five months, over and above all charges, is about \$9,000. I might say that my son is manager of the properties and gets \$1,000 a year and is one of the owners.

These net earnings are just about double what they were last year, not due entirely to increasing rents or occupancy, but due to less repairs, the property having been brought up to first class condition.

It seems strange that because there is no quoted market, that this collateral is considered of no value, although I made an offer for it sometime ago of \$30,000.

Yours very truly,



CHT/G

June 27, 1938.

Mr. Charles H. Tenney,
Springfield, Massachusetts.

Dear Mr. Tenney:

This is to acknowledge receipt of your letter of June 17th with reference to my recent letter to Senator Wandenberg, in which I mentioned the unduly severe restrictions that were interfering with the adequate flow of bank credit into productive business channels.

The instance which you cite is very much in point. I have had a considerable volume of mail from business men and bankers in all parts of the country reflecting similar conditions and strongly objecting to them. It has been very reassuring to know that those who have had practical contact have felt very much as I do about the necessity for doing away with these unduly severe restrictions. I feel that the agreement just announced represents an important constructive change in policies and procedures to be followed by the bank examining and supervisory authorities, and that it is a recognition of intrinsic rather than fluctuating market or liquidating values.

I wanted you to know that I very much appreciated your letter and your courtesy in writing.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b