

THIRD NATIONAL BANK

IN NASHVILLE

NASHVILLE, TENNESSEE

F. M. FARRIS,
PRESIDENT

June 18, 1938

Hon. Marriner S. Eccles, Chairman
Federal Reserve Board
Washington, D. C.

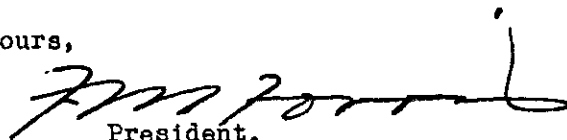
Dear Mr. Eccles:

I have read with a great deal of interest several articles in financial journals and local newspapers regarding your position with reference to present government restrictions on bank loans and investments, and I wish to commend you for the sensible policy advocated.

I can readily appreciate the fact that some bankers, especially after having been harassed during the years of the depression of 1930-33, in many instances declined to make sound loans for fear of the examiner's criticism. I can recall many accounts now regarded as excellent credit which, had we followed the recommendation of the examiner, would have been eliminated from business during those depression years. In times like this, the wrong attitude can so easily influence bankers in such a way as to work great hardship upon the borrower.

I think, too, the new regulations, when finally approved, should permit banks to invest a reasonable per cent of total investments in bonds of a local character which have not in the last few years been classified as eligible on account of marketability. No doubt, in every locality there are some corporations which are in need of machinery replacement or expansion, which would be glad to enter the program by issuing short to medium term bonds in amounts of \$50,000 to \$250,000. Such bonds, to a reasonable extent, should be eligible for bank investment, because, on the whole, they are usually more amply secured, better protected by current earnings, and more likely to be repaid at maturity without refunding. And such bonds, as a rule, do not fluctuate in price as widely as the general market.

Very truly yours,


President.

June 23, 1938

Mr. F. M. Farris, President
Third National Bank
Nashville, Tennessee

Dear Mr. Farris:

This is to thank you for your letter of June 18 with reference to restrictions on bank loans and investments. Needless to say, it is reassuring to hear from practical bankers like yourself who understand our problem and are sympathetic with what the Board has sought to accomplish in revising restrictive practices. Your own experience is typical of that of other bank executives who have written in here.

I think that when the President announces what has been agreed upon, the points that you mention will have been met, and that you will feel as I do that some definite progress has been made.

I very much appreciate your courtesy in writing.

Very truly yours,

M. S. Eccles,
Chairman.

ET:ead

Received in
Chairman's Office
JUN 20 1938
Board of Governors
of the
Federal Reserve System