

The Riggs National Bank

of

Washington, D. C.

POSTAL ZONE 13

ROBERT V. FLEMING
PRESIDENT AND CHAIRMAN OF THE BOARD

CHARLES C. GLOVER, JR.
VICE CHAIRMAN OF THE BOARD

June 26, 1947

IN REPLYING PLEASE QUOTE INITIALS
RVF:RS

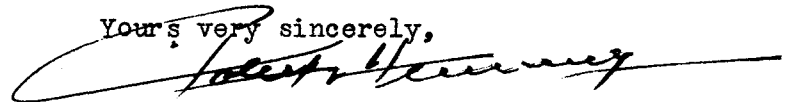
The Honorable Marriner S. Eccles
Chairman, Board of Governors
Federal Reserve System
Washington, D. C.

Dear Marriner:

I am enclosing a copy of the letter I have addressed to Senator Taft which I hope will be helpful.

As I advised Miss Egbert this morning, when I tried to reach Senator Taft, I learned he was out of town but would return this afternoon. Hence, the letter is the only thing I can do.

Yours very sincerely,



Enclosure

Copy of letter sent by The Riggs National Bank,
Washington 13, D. C., to below named addressee

June 26, 1947

RVF:RS

The Honorable Robert A. Taft
Senate Office Building
Washington 25, D. C.

Dear Bob:

I learned last evening that Senate Bill 408 which has been reported out favorably by the Banking Currency Committee of the Senate is probably coming up for vote in the Senate today. I tried to reach you this morning but Mrs. Shattuck advised me you are out of the city but will return some time this afternoon. Hence, I am taking the liberty of writing to you.

As you are undoubtedly aware, this Bill has two sections. The first one repeals Section 13B of the Federal Reserve Act which eliminates the power of the Federal Reserve Banks to make direct loans out of \$139,000,000 which was set aside from the gold increment which enabled the Federal Reserve Banks to make these direct loans to industrial and commercial enterprises. The second section of the Bill substitutes for the direct lending authority a provision which would enable Federal Reserve Banks to guarantee in part loans by chartered banks up to ninety per cent, using the surplus of the Federal Reserve Banks to protect the guarantee. Also, under regulations which will be prescribed by the Board of Governors, a service charge would be set up where guarantees were asked for, which are estimated would be of sufficient amount to offset any losses which might occur.

This Bill was very carefully considered by the Federal Advisory Council, created under the Federal Reserve Act, at its meeting in March, 1947, and the Council reported to the Board of Governors that it favored this Bill with two modifications. First, it should be restricted in its application not to "any financing institution" but to "chartered banking institutions". Second, guarantees and commitments should be made only after a showing that the loans could not be handled through normal banking channels. These amendments were approved by the Board of Governors and are now incorporated in the Bill S-408.

The Council felt that if the Congress believed guarantees should be continued it was sounder for it to be handled by the Federal Reserve Banks, under rules and regulations of the Board of Governors of the Federal Reserve System, which is a permanent institution, rather than the RFC, although, of course, the Council recognized that the RFC would probably be extended with some limitations for a limited period of time.

Copy of letter sent by The Riggs National Bank,
Washington 13, D. C., to below named addressee

The Honorable Robert A. Taft

- 2 -

June 26, 1947

I am now writing to say that we on the Federal Advisory Council - and I might add that I represent the Fifth Federal Reserve District - feel that the Federal Reserve Banks will handle these loans where applied for through chartered banking institutions in a safe and sound manner, and I am hopeful that when this Bill comes up for a vote it will receive your support.

Yours very sincerely,

A handwritten signature in cursive script, appearing to read "Robert A. Taft". The signature is written in dark ink and is positioned below the typed name "The Honorable Robert A. Taft".