

ESTABLISHED 1890

MONTEREY COUNTY TRUST & SAVINGS BANK

HOME OWNED COUNTY WIDE



SALINAS, CALIFORNIA

February 5, 1951

OFFICE OF THE PRESIDENT

Governor Marriner S. Eccles  
Federal Reserve Bank  
Washington, D. C.

Dear Marriner:

I enclose a copy of my annual report, in which I stole some of your thunder. I imagine you get tired of looking at these reports.

Think you are putting up a fine battle against some of the Administrations ideas and hope you will keep it up.

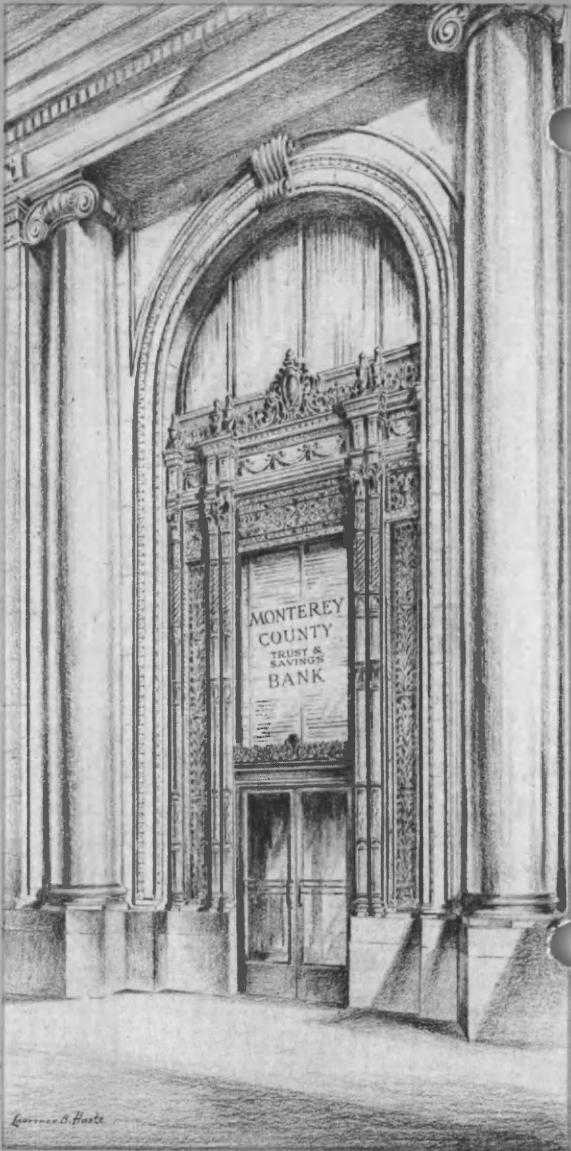
Best personal regards.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "A. C. Hughes".

President

A. C. Hughes:E  
Encls.



*Annual Report*  
of the President

**Report of**  
**A. C. Hughes, President**  
at the  
**Sixtieth Annual Meeting**  
**of Stockholders**

JANUARY 17, 1951

This is the Sixtieth Annual Report of our Bank, and the Twenty-Sixth year that I have been privileged to act as President.

I am most happy to be able to say that 1950—our Sixtieth Year—was by far our best.

In addition to my own deep personal satisfaction, I express the sincere appreciation of our Board of Directors for the consistently successful efforts of our Officers and Employees.

## **Personnel**

We are benefiting from the excellent spirit and competence of a staff which finds itself working under war time conditions. Thirty-six members of our staff have been with us over 10 years, and of these, 16 over 20 years. We have a good salary schedule and an adequate Profit Sharing Plan, which

stimulate loyalty and good will within our organization. In addition, the bank contributes to the cost of Group Life, Hospital, Surgical and Medical Insurance.

We anticipate the loss of many of our employees to Military Service in the near future. The training of replacements is a continual process. Already, six employees have been called. We do not feel they have severed their connection with the Bank, but rather have been given a leave of absence.

Good personnel relations are essential if our bank is to progress and prosper.

## **Examinations**

Our usual Federal and State examinations were conducted during the year. The examinations reflect a continued sound and conservative operation.

## **Federal Deposit Insurance Corporation**

Congress revised the Federal Deposit Insurance Corporation Act and increased the insurance coverage on deposits from \$5,000 to \$10,000. As a result, it is possible for a husband and wife to have \$30,000 protection in three accounts, as follows:

\$10,000	Husband's name
\$10,000	Wife's name
\$10,000	Husband and wife, jointly
<hr/>	
\$30,000	Total insurance protection

This legislation also cut our annual assessment by 60 per cent. As our assessment last year was \$43,355.22, this will save us \$26,013.13. Our paid assessments since 1931 total \$328,747.78.

## Bank Stock

The changes in the Federal Deposit Insurance Corporation Act will require banks to provide a stronger capital structure. After a thorough investigation, your Board of Directors voted to improve our Capital Ratio by selling 10,000 shares of our bank stock, to our present stockholders, at the attractive price of \$50.00 a share.

## Comparative Statement

	1949	1950
Total Deposits .....	\$54,534,728.03	\$53,204,941.08
Total Loans .....	24,025,866.86	28,579,865.40
Cash and Due from		
Banks .....	7,397,898.98	8,238,670.84
Earnings after ex- penses, taxes, (other than in- come taxes) and reserves .....	473,621.19	563,647.28
Income Taxes .....	180,000.00	257,500.00
Cash Dividends De- clared .....	150,000.00	150,000.00

## Bonds

<i>Maturity</i>	<i>Par Value</i>	<i>Per Cent of Total</i>	<i>Cumulative Per Cent</i>
1951	\$ 1,944,500	9.65	9.65
1952	459,000	2.28	11.93
1953	2,097,000	10.40	22.33
1954	7,960,000	39.49	61.82
1955	2,076,000	10.30	72.12
1956	637,000	3.16	75.28
1957	856,000	4.24	79.52
1958	393,000	1.95	81.47
1959	2,394,000	11.88	93.35
1960	340,000	1.69	95.04
1961	85,000	.42	95.46
1962	65,000	.32	95.78
1963	300,000	1.49	97.27
1964	290,000	1.44	98.71
1965	75,000	.37	99.08
1966	185,000	.92	100.00
	<u>\$20,156,500</u>		
	90,000	Federal Reserve Bank Stock	
	<u>\$20,246,500</u>		

		<i>Per Cent</i>
Governments .....	\$14,183,000	70.36
Others .....	5,973,500	29.64
	<u>\$20,156,500</u>	<u>100.00</u>
Federal Reserve Bank Stock ....	90,000	
	<u>\$20,246,500</u>	
Total Market Value .....	\$20,538,805.93	
Total Book Value .....	\$20,517,098.89	
Appreciation .....	\$ 21,707.04	

## Capital Funds

The Status of our capital accounts over a three year period is shown below:

	<i>Dec. 31, 1948</i>	<i>Dec. 31, 1949</i>	<i>Dec. 31, 1950</i>
Capital	\$1,000,000.00	\$1,000,000.00	\$1,200,000.00
Surplus	1,700,000.00	1,700,000.00	2,300,160.00
Undivided			
Profits	827,692.76	971,313.95	827,461.23
Total	<u>\$3,527,692.76</u>	<u>\$3,671,313.95</u>	<u>\$4,327,621.23</u>
Book Value			
Per Share	\$70.55	\$73.43	\$72.13

## **Installment Loans – Regulations “W” and “X”**

On September 18, 1950 the Federal Reserve Board reinstated Regulation “W” to curb consumer installment credit. The regulation was tightened further on October 16.

By establishing down payment requirements and maximum maturities on consumer goods, such as automobiles, furniture and appliances, the Regulation has curtailed the sale and financing of these items. The most drastic effect has been in automobile sales. Our outstanding loan volume has already dropped \$200,000. These restrictions, coupled with probable material shortages, will mean a further reduction of loan volume in this lucrative installment loan field. We must endeavor to make this up elsewhere.

As a further check on the expansion of credit the Federal Reserve Board issued Regulation “X” on October 12, 1950. This restricted the amount permitted to be loaned on the construction of new residential property. Simultaneously the Federal Housing Administration and the Veterans’ Administration reduced loan maximums on both existing and new construction and shortened all maturities to 20 years. The effect on our bank as well as all lending institutions has been to sharply reduce the volume of Veterans Loans, since this type of

loan had the most liberal terms prior to Regulation "X." Regular bank loans for new construction and F.H.A. loans have been affected only slightly. It appears that high construction costs have deterred borrowers just as much as credit restrictions.

## Trust Department

The Trust Department is presently administering trust assets valued in excess of \$6,000,000.00. It continues to demonstrate its ability to fit in with, and develop business for the commercial and savings departments. At the same time it shows a profit on its own operations. The chief source of income is from the handling of Estates. However, a complete trust service is rendered in other matters, such as Trustee under Living Trust Agreements, Agent for the management of real and personal property. Custodian of Securities, Transfer Agent for Corporations, Escrow Agent, and Trustee Under Life Insurance Trust Agreements.

The department is operated by officers and personnel devoting full time to this highly specialized work, and is under the direction of a Trust Committee comprised of Bank Officers and Directors. There is great opportunity for growth in the Trust Department, and such additional business can be obtained through concerted effort by the Officers, Directors, and Stockholders.



## **Your Bank in Brief in 1950**

Made 15,695 loans totaling \$26,552,117.94.

Earned \$306,147.28 net. (\$6.12 per share).

Paid \$150,000 in dividends (\$3.00 per share) to 780 stockholders.

Has Capital Funds of \$4,327,621.23 and total resources of \$58,144,300.55.

Serves more than 37,000 savings and commercial customers.

Bank staff of 167 people.

Has eight branch offices in Monterey County.

## **Looking Ahead**

No one foresaw that the North Koreans would invade and that we would go to the aid of the South Koreans. Thus we became involved in a very tough international situation which calls for a large-scale national defense program.

The old year, 1950, went out with the Administration taking steps toward stricter controls, which will have their effect on the business world in this New Year.

Bankers should become better leaders in molding public opinion in this crisis, and help develop a sound and realistic policy from the financial viewpoint.

American banking in 1951 has a rampant credit inflation to deal with.

Marriner S. Eccles, of the Federal Reserve Board, recently stated, "It would be unfortunate if people should be led to believe that price and wage controls, or changes in bank reserve requirements, will save the dollar from serious depreciation. Neither program goes to the heart of the matter. There must be genuinely effective measures to restrict the supply of money competing for goods, higher taxes, and more saving and less spending for non-essential purposes, both by Government and by the people."

The Federal Reserve Bank has ordered an increase in reserves of member banks, and the increase for our bank totals \$745,200.58. The object of this order is to help stop inflation by curtailing the loanable funds of banks. Nationally, this freezes over two billion dollars.

The relation between inflation and socialism is closer than is generally appreciated. At every step in the inflationary process new pressures are created for the government to step in with new controls.

President James E. Shelton, of the American Bankers Association, recently stated, "Even the old-line socialists preached that the way for government to take over private business and private property was to take away the profits of private business and

private property, and then both would automatically fall into the lap of the Government.”

The American Bankers Association is fortunate at this time, to have a President who always has defended the American economic system of individual freedom and opportunity. He is equally outspoken in his opposition to Federal Government tendencies toward socialization of the economy. Bankers and business men must understand the mess that we are in, and follow the lead of President Shelton, in doing something about it. It is important that we contact our Congressmen and help formulate a sound policy before it is too late.

We have anticipated these moves and are prepared for further controls and adjustments, because the National Defense Program will be the most important factor in business activity during 1951.

The coming year could be forecast as a prosperous year, coupled with many problems in this dangerous period. Your Officers and Directors are aware of the National confusion and are doing everything within their power to cope with this “long era of strife.”

A. C. HUGHES, *President*

# MONTEREY C

SALINA

▶ CONDENSED

*at the close of business*

## RESOURCES

Cash and Sight Exchanges	\$ 8,238,670.84
U. S. Government Securities	14,609,892.01
Other Bonds and Securities .	5,907,206.88
Loans and Discounts . . . . .	28,579,865.40
Bank Premises (8 Offices)	531,634.65
Earned Interest Receivable and Prepaid Expenses .	218,212.62
Other Resources	58,818.15
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TOTAL RESOURCES .	\$58,144,300.55
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*Member Federal Reserve System*

# UNITY TRUST & SAVINGS BANK

CALIFORNIA

## STATEMENT ◀

*December 31, 1950*

### LIABILITIES

Capital Stock	\$ 1,200,000.00
Surplus	2,300,160.00
Undivided Profits .	827,461.23
Reserve for Interest, Taxes, etc. .	253,435.19
Deposits .	. 53,204,941.08
Deferred Interest Credits	334,991.65
Other Liabilities	23,311.40
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TOTAL LIABILITIES .	\$58,144,300.55
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*Member Federal Deposit Insurance Corporation*

# Monterey County Security Company

DECEMBER 31, 1950

## RESOURCES

Cash in Bank .....		\$ 19,947.40
Stock .....	1.00	
Less Reserve ....	1.00-	.00
Notes Receivable, Secured .....		92,389.56
Notes Receivable, Unsecured .....		60,231.85
Real Estate		
Land .....	33,325.00	
Buildings .....	8,800.00	
Less Reserve		
for Dep'n ....	440.00-	8,360.00
		41,685.00
Total Resources		\$214,253.81

## LIABILITIES

Capital Stock .....		\$120,000.00
Undivided Profits .....		87,896.74
Reserve for Taxes on Income .....		4,357.07
Reserve for Mer. Purchase		
Collection Costs .....		2,000.00
Total Liabilities .....		\$214,253.81

# OFFICERS



- A. C. HUGHES - - - - - *President*  
 A. P. HOLM - - - - - *Executive Vice President*  
 J. E. ABERNETHY - - *Vice President, Trust Officer,  
 and Manager, Carmel*  
 LEO W. BARDIN . - *Vice President and Manager,  
 King City*  
 G. H. BURNETTE - - *Vice President and Manager,  
 Monterey*  
 THOMAS L. CRAIG - - - *Vice President, Secretary  
 and Treasurer*  
 J. A. GENASCI - - - *Vice President and Cashier*  
 D. A. GILCHRIST - - *Vice President and Manager,  
 Gonzales*  
 J. C. JURI - - - - - *Vice President*  
 L. F. RIANDA - - - - - *Vice President*  
 LEO TAVERNETTI - - - - - *Vice President*  
 ROLAND TAVERNETTI - - - - - *Vice President*  
 PAUL W. LAWRENCE - - - - - *Trust Officer,  
 Assistant Secretary, Assistant Treasurer*  
 W. B. COTTRELL - - *Assistant Vice President and  
 Manager, Greenfield*  
 F. A. HITCHCOCK - - - *Assistant Vice President*  
 M. D. BECK - - - - - *Auditor*  
 ROBERT T. KATTNER - - *Assistant Trust Officer,  
 Assistant Secretary, Assistant Treasurer*  
 CLARK ALSOP - - *Assistant Cashier and Manager,  
 Castroville*  
 R. W. BARRY - - - - - *Assistant Cashier*  
 C. B. BRIGGS - - - - - *Assistant Cashier,  
 Assistant Manager, Alisal*  
 ROBERT CAUSLEY, JR. - - - - *Assistant Cashier*  
 S. E. COLEMAN - - *Assistant Cashier and Assistant  
 Manager, Carmel*  
 ADOLPH DECOTO - *Assistant Cashier and Assistant  
 Manager, King City*  
 HELEN EAKIN - - - - - *Assistant Cashier*  
 STAFFORD HUGHES - *Assistant Cashier and Assistant  
 Manager, Monterey*  
 J. J. JORGENSEN - - - - *Assistant Cashier and  
 Manager, Alisal*  
 BOB F. WORKS - - - - - *Assistant Cashier*

# BOARD OF DIRECTORS



A. C. HUGHES - - - - - *President*  
(Chairman of the Board)

W. T. BRAMERS - - - - - *Farmer*

H. F. COZZENS - - - - - *Civil Engineer*

E. B. GROSS - - - - - *Capitalist*

E. J. LEACH - - - - - *Doctor of Dentistry*

J. W. MCKINSEY - - - - - *Rancher*

C. B. OUTHIER - - - - - *Retired*

CHAS. B. ROSENDALE - *Attorney-at-Law*

C. C. SALMINA - - - - - *Farmer*

E. H. TICKLE - - - - - *Capitalist*



## OFFICES

SALINAS      ALISAL      CASTROVILLE      MONTEREY

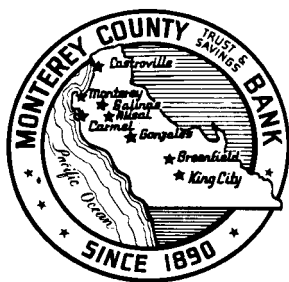
CARMEL      GONZALES      GREENFIELD

KING CITY



*Home Owned • County Wide*





February 13, 1951.

Mr. A. C. Hughes, President,  
Monterey County Trust and  
Savings Bank,  
Salinas, California.

Dear Andy:

Thank you for your note of February 5, 1951, and copy of your annual report, which I have read with interest.

I agree with you that the tendency at the moment is to rely more and more heavily upon direct controls over wages, prices, and goods to counter inflationary pressures. Not only do such direct controls project Government into the business affairs of the country, but they attack the symptoms rather than the basic causes of inflation.

On the other hand, I do not agree that higher taxes and monetary policies designed to curb further bank credit expansion are primarily socialistic. We have to do something to curb an inflation which threatens to undermine the purchasing power of the dollar and the stability of our economy. The best way to do this is to curtail funds available for spending at a time when labor and materials are being diverted from civilian to defense production.

I am hopeful that the American Bankers Association will lend more active support to the Federal Reserve position regarding appropriate monetary and credit policies for the present defense economy. Unless the Federal Reserve is enabled to exercise its traditional quantitative controls over the volume of bank credit, we may find ourselves saddled with an even more onerous burden of direct controls.

Kindest personal regards.

Sincerely yours,

M. S. Eccles.

CHS:dm