

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 80-64
March 31, 1980

TO BANKS NOT REPORTING UNDER THE SPECIAL CREDIT RESTRAINT PROGRAM:

President Carter recently announced a broad program designed to moderate and reduce inflationary forces in the United States economy. In addition to fiscal, energy, and other measures, the President, under the terms of the Credit Control Act of 1969, provided the Federal Reserve Board with the authority to exercise special restraints on the growth of certain kinds of credit.

The Federal Reserve Board has established a voluntary Special Credit Restraint Program which applies to all banks in the nation. The highlights of that program are:

1. Banks are expected to restrain their growth in total loans to a range of 6-9 percent in 1980. However, within this range the actual growth for individual institutions will be appraised in light of their location, past growth patterns, their liquidity and capital positions, and other individual circumstances. Similar restraint should be exercised with respect to commitments.
2. Within this general constraint, banks are encouraged to maintain reasonable availability of funds for small businesses, farmers, housing, smaller agriculturally-oriented commercial bank correspondents and thrift institutions.
3. Credit for automobile and home improvement loans should be treated normally.
4. Special restraint should be applied to financing of corporate takeovers or mergers, of the retirement of corporate stock, of speculative holding of commodities or precious metals, and of extraordinary inventory accumulation.
5. In establishing the price and non-price terms of bank loans, no specific guidelines or formulas are suggested. However, as appropriate and possible, lending rates and other terms should take account of the special needs of small businesses and farmers.

In connection with the program, the Federal Reserve is authorized to require reports of certain loan information from banks. At this time, only those banks with total assets greater than \$1 billion are required to report monthly and banks with total assets from \$300 million to \$1 billion report quarterly. To reduce the reporting burden on smaller banks, they are not required to file reports at this time.

Since the program applies to all banks regardless of size, the Comptroller of the Currency and the Federal Deposit Insurance Corporation

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

have agreed to monitor compliance with the program in the banks under \$300 million through their examination procedures.

The Special Credit Restraint Program requires widespread support of banks to effectively support monetary policy actions to reduce inflation. I encourage you to evaluate your loan portfolio and plans and to promptly develop and implement your strategy for compliance. Your cooperation with these efforts to restrain inflation will be sincerely appreciated.

If you have any questions, please call Richard D. Ingram, Ext. 6333 or Helen E. Holcomb, Ext. 6166 at the Federal Reserve Bank of Dallas or officials at the Branches at Houston, San Antonio, or El Paso.

Sincerely yours,

Ernest T. Baughman

President

P.S. Details of this program were provided to National Banks by the Comptroller of the Currency and to Nonmember State Banks by the Federal Deposit Insurance Corporation. The credit restraint pamphlet for inclusion in your Regulations Binder is presently being printed and will be distributed shortly.