CHECK PROCESSING TOPS BILLION MARK

For the first time since it began processing checks, the San Francisco Fed in 1974 handled over one billion checks in a single year.

Richard C. Dunn, Vice President in charge of check operations, said, "The 1.1 billion checks processed in 1974 represented an increase of almost 150 million for the year — or about 15 percent. This is well above the 7 percent annual growth rate in check volume estimated for the nation as a whole."

In dollar terms, check processing jumped 27 percent to more than $312 billion. At that, the Fed handles only part of the check volume that crisscrosses the nation. Commercial banks and clearing house associations account for the remainder.

"We have come a long way from 1914 when the Fed first opened its doors," Dunn said. "In that year, the San Francisco Fed processed about 1,000 checks a month, and now it's up to almost one million a month. Today we process the equivalent of $10,000 every second of the day year-round. Americans have almost 95 million individual checking accounts controlling balances of over $200 billion. This year, Americans may write close to 30 billion checks.

"In short, the check continues to be one of man's most popular and pervasive creations," Dunn said. "About nine out of every ten purchases are made by check. So we are still a long way off from the cashless, checkless society. In fact, at its present projected growth rate, check volume doubles every nine years, so that by 1985 we could be dealing with a blizzard of 60 billion checks annually."

Dunn said that because of this volume, experts are exploring new means of moving money more efficiently through electronic means. This could involve computerized systems operated on a nationwide network to transfer payments.

A Message From The President

ANOTHER STEP TOWARD GREATER UNDERSTANDING

This is the first issue of a new monthly publication covering news events and issues that we believe will be of special interest to the banks of the Twelfth Federal Reserve District. The publication marks another step forward in our attempt to heighten public awareness and improve understanding of the responsibilities and functions of the Federal Reserve System.

Sound, vigorous banking is a fundamental building block in a society that is healthy and growing. Today, perhaps as never before, the banking community faces challenges to provide better opportunities for Americans. That means the future will not be easy, since old answers may not do in an era when the rules have been changed by economic necessity. For that reason, it is imperative that we do our utmost to foster understanding of the role of the Federal Reserve System and the commercial-banking community.

It is my hope that this publication will engender even greater cooperation and understanding than we now enjoy with the banks of this District. I realize what a challenge this is in a District that covers a fourth of the nation's land area and that serves over 32 million Americans through 6,000 banking offices. But in the West, we are used to tall orders and big ideas.

I trust that our efforts will help enhance the dialogue that already exists between your bank and our institution. We of course welcome your thoughts, suggestions and comments because they will aid us immeasurably in improving our services to banks throughout the West—and through them—to the public.
O. Meredith Wilson and Joseph F. Alibrandi have been redesignated Chairman and Deputy Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco for 1975.

Dr. Wilson is President and Director of the Center for Advanced Study in the Behavioral Sciences at Stanford, California. He is a member of the Board of the Carnegie Foundation for the Advancement of Teaching, the Nutrition Foundation, the American College Testing Program and the University of Notre Dame. He is serving a three-year term as a Class C Director (public member) of the Board.

Alibrandi is president of Whittaker Corporation which is based in Los Angeles, California. He is a member of the Corporation Development Committee for Massachusetts Institute of Technology and of the Corporation Visiting Committee for the Sloan School of Management. Active in professional affairs, his affiliations include membership in the American Society of Mechanical Engineering, The American Management Association and the American Institute of Aeronautics and Astronautics. He is also a life member of the Air Force Association and the Navy League of the United States. Alibrandi’s three-year term as a Class C Director of the San Francisco Fed’s Board expires in 1975.

Business borrowing costs at major West Coast banks declined in late fall, according to the Federal Reserve Bank of San Francisco’s quarterly interest-rate survey.

During the November 1-15 survey period, the average rate on regular short-term business loans was 11.48 percent — a drop of 67 basis points from the reported in August (one hundred basis points equal one percentage point). Despite this decline, the November rate remained well above the year-ago figure of 10.04 percent. Rates on revolving credit loans declined 96 basis points from the August level to a November figure of 11.39 percent.

The 13 West Coast reporting banks made 2,497 short-term business loans (including revolving credit) in the survey period — up slightly from the August figure of 2,490. Although the number of loans was up, dollar volume fell $201 million from the August level to $1,021 million.

Most everyone knows that the Fed is the nation’s money manager — the agency that determines monetary policy.

But did you know that in 1973 alone the San Francisco Fed was responsible for:
- Counting 1 billion bills and 2 billion coins
- Destroying over 350 million unfit or “worn out” bills amounting to about $2 billion
- Processing about 325 million food stamps for the 2 million persons enrolled in the Food Stamp Program in its nine-state area
- Issuing $9 billion in securities
- Processing about one billion checks valued at nearly $250 billion — or one out of every eight checks flowing through the Federal Reserve System

Because many persons are not aware of the wide-ranging activities of the Fed, the bank has formed a Speakers Bureau that is available at no charge to bankers, businessmen, service and community groups and the general public. The Bureau was formed to help make the System’s operations more understandable and to assure that the Fed would be responsive to the public’s informational needs. It consists of operating officers in charge of key operations as well as public information specialists. Slide presentations and films on banking-related topics are also available. Priority is given to educational and financial groups but requests are accepted from other organizations on a time-available basis.

Because of heavy commitments, bookings should be made at least a month in advance. For further information or to arrange a presentation suited to your needs and level of interest contact: 
Manager of Public Information
Federal Reserve Bank
of San Francisco

WANT TO KNOW MORE ABOUT THE FED?

BORROWING COSTS DOWN AT WEST COAST BANKS
PENNY CAMPAIGN MAKES CENTS FOR BANKS

The Penny Campaign, which is spearheaded in the West by the Federal Reserve Bank of San Francisco, is giving a boost to the nationwide effort to recover those elusive "hidden" pennies in piggy banks and shoe boxes. In 1974 nearly 100,000 individuals and almost 3,000 banks qualified for Certificates of Recognition from the U.S. Mint. Certificates are issued to those who turn in $5 or more in pennies. To date, almost 200 million pennies have returned to circulation thanks to the Penny Campaign.

BOARD TO STUDY DATA ON GOVERNMENTAL NOWs

The Federal Reserve Board of Governors is now reviewing data submitted during the past two months to determine whether member banks should be allowed to offer negotiable orders of withdrawals (NOWs) to governmental units. NOWs are like checking accounts except that they are issued against interest-bearing savings accounts.

Last November, the Board amended Regulation Q which governs interest on deposits. At that time it included deposits of governmental units in the definition of savings deposits. Because NOW accounts are permitted on an experimental basis in Massachusetts and New Hampshire, and because they are included in the definition of savings deposits, the Board's amendment also had the effect of authorizing governmental unit NOW accounts in these two states. Previously, NOW accounts were available only to individuals.

Interested parties subsequently requested the Board to review its action on the basis that this revision would trigger potentially disruptive shifts of funds. The Board set January 20 as the deadline for comment on this topic. Until a final determination is made by the Board, member banks have been requested not to offer NOW accounts to governmental units.

RECORD NUMBER OF BANK OFFICES

A record number of banking offices are now operating in the West, according to Henry B. Jamison, vice president of the Federal Reserve Bank of San Francisco. In a year-end report on banking activities in the Twelfth Federal Reserve District, Jamison reported that the region has nearly 450 banks operating almost 6,200 branches. Nationwide there are over 14,000 commercial banks.

During the year, three national banks, 25 state banks and one trust company were organized in the district. The number of member banks dropped slightly to 140. However, member bank offices increased 2.5 percent to 4,661. The number of nonmember banks rose modestly to 307, and the number of nonmember bank offices jumped 8.5 percent to 1,504.

"We are frequently asked about the various jurisdictional responsibilities of the federal and state agencies supervising banking," Jamison said. "National banks are examined by the Comptroller of the Currency. State banks that are members of the Fed are supervised jointly by the Federal Reserve and state banking departments. Finally, state non-member banks are examined by the states and the Federal Deposit Insurance Corporation."

Two other types of banking organizations are supervised by the Federal Reserve — bank holding companies and Edge Act corporations. The San Francisco Fed now supervises 72 bank holding companies — up from 65 a year earlier — and in the international banking field, it supervises 24 Edge Act Corporations, compared with 20 during the preceding year.
BOARD SEeks COMMENTS ON TRUTH-IN-LENDING

Comments on proposed changes in the Truth In Lending Act (Reg Z) have been invited by the Federal Reserve Board of Governors. The changes would implement amendments adopted by Congress last October.

Comments on the proposed amendments must be received by February 14.

Among the important provisions for which regulations are proposed are the following:
- Any advertisement on extensions of credit spread out for more than four installments without an identified finance charge must state that the cost of credit is included in the price quoted for the goods and services.
- Credit primarily for agricultural purposes in excess of $25,000 is exempt from Truth in Lending disclosure provisions.
- The right of rescission in residential real property transactions is limited to three years from the date the transaction is consummated or the property is sold—whichever occurs earlier.
- Businesses, organizations and credit-card issuers may contract without regard to the other relevant provisions of Reg. Z regarding the liability for unauthorized use of the cards if (1) 10 or more cards are issued for use by employees of a single business or organization, and (2) the liability imposed on such employees for unauthorized use does not exceed the $50 permitted by Reg Z.

The proposed amendments to the Act are available on request from:
Office of the Secretary
Board of Governors of the Federal Reserve System
Washington, D.C. 20551

HOW CHECKS MOVE — NEW FED BOOKLET

Bank customers often wonder what happens between the time they write a check and the time it's finally returned at the end of the month with the rest of their cancelled checks and the monthly statement.

The Federal Reserve Bank of San Francisco has a new pamphlet, entitled How Checks Move, that traces the movement of the 29 billion checks that Americans write in just one year. For example, every week the San Francisco Fed processes a pile of checks that represents $5 billion, weighs over 20 tons and would stand a mile high if stacked straight up. By the time a check returns to a customer it's been handled up to nine or ten times at two to three banks. And that's just part of the problem. Banks are being snowed under by the blizzard of check paper.

"Unquestionably, changes must be made before the volume of checks becomes unmanageable," the booklet states. "Unless the mountains of paper are somehow overcome, there could be 60 billion checks annually by 1985 and a mind-boggling 120 billion before the opening of the 21st century."

The Fed looks to new ways of transferring money electronically with computers and data processing equipment. Yet it admits that for the time being checks are part of the American way of life. To cope with checks now, the Fed has launched a series of Regional Check Processing Centers to accomplish check clearing overnight.

Bulk shipments of this free pamphlet are available to commercial banks. For information contact:
Research Information Center
Federal Reserve Bank of San Francisco. P. O. Box 7702
San Francisco, Ca. 94120