

Federal Reserve Notes

FEDERAL RESERVE BANK OF SAN FRANCISCO

• JULY 1976

Serving Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah & Washington

Federal Reserve Bank of San Francisco

AUG 8 1976

BANKS AID TETON DAM DISASTER VICTIMS

Immediately after the Teton Dam break last month, President Ford declared five Idaho counties a disaster area, and a number of government agencies—including the Federal Reserve Bank of San Francisco—moved to aid the flooded communities. Eight lives were lost in the tragedy, and 7,000 homes reportedly were destroyed or damaged by the flood. Dollar losses were catastrophic, approaching \$1 billion by some accounts.

Grant Holman, Vice President in Charge of the Fed's Salt Lake City Branch, contacted several banks directly affected by the flood to offer emergency credit through the Federal Reserve discount window. In some cases, the offer was relayed through member banks to correspondent nonmember institutions in the affected area.

Roy W. Simmons, President of Zions First National Bank and a Director of the Salt Lake City Fed, summed up the reaction in the flood area. "In the middle of the night, the president of a \$100-million bank called me and said he was extremely appreciative of the offer of the Fed's discount window. The people in his Idaho community were impressed by the wonderful manner in which the Fed came to the aid of a nonmember bank without the slightest hesitation."

The Federal Reserve Bank of San Francisco contacted the Board of Governors immediately after the disaster to suggest the waiving of Regulation Q penalties for the early re-



An aerial view of the remains of Teton Dam two days after the break. At this point the water level in the broken dam and the Snake River are equal. The earth-filled dam, as high as a 30-story building, released a wall of water that forced 30,000 persons to flee their homes.

Photo courtesy of United Press International

demption of certificates of deposit. This move was designed to enable disaster victims to withdraw time-deposit funds immediately without loss of interest.

On June 25 the Board approved a six-month suspension of the Reg Q penalty, retroactive to June 6, applicable to the time deposits of member-bank customers who suffered flood losses in the five-county area. Similar action was taken by the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board.

One banker near the scene was Ronald S. Hanson, President and Chief Executive Officer of the First National

Bank of Logan (Utah). Hanson is also a member of the Federal Reserve Bank of San Francisco's Board of Directors.

Hanson commented, "Citizens of Idaho and Northern Utah have really responded to the disaster—thousands of people going by bus each day as voluntary laborers to help clean up the flooded area. But at first it was difficult for me to get a clear picture of the damage from the banks in the area; there was no phone service." But now facilities have been repaired and the task of digging out is well advanced, with the aid of all the Government agencies that rushed in to help. 🏠



C.L. Ahmanson

AHMANSON JOINS BANK'S LOS ANGELES BOARD

The Federal Reserve Bank of San Francisco has appointed Caroline Leonetti Ahmanson to the Board of Directors of the Bank's Los Angeles Branch. In Making the announcement, Senior Vice President Richard C. Dunn indicated that Mrs. Ahmanson would complete an unexpired term ending December 31, 1976. Mrs. Ahmanson is President of Caroline Leonetti Ltd., Women's Center for Self Improvement.

Active in cultural and civic affairs, Mrs. Ahmanson has received presidential appointments to serve on the National Council on the Humanities and the Executive Board of the Peace Corps' National Advisory Council. On the local scene, Mrs. Ahmanson is a member of the California Arts Commission and the California Council of Product Design and Marketing, as well as the City of Los Angeles Economic Advisory Council.

The new Fed director is now serving on the Boards of Trustees of the California Museum of Science and Industry, American Association of Museums Council, the American Women for International Understanding, the Arts for Communities of Los Angeles County, and the Los Angeles County Museum of Art. Aside from her participation on these boards, Mrs. Ahmanson serves as a Director on the Boards of Community Television of Southern California (KCET), Los Angeles Chamber of Commerce, Los


VAUGHAN DEFENDS FEDERAL RESERVE ROLE

Increasing criticisms of the Federal Reserve System found a rebuttal in two recent addresses by J.R. Vaughan, President of the Los Angeles-based Knudsen Corporation and Chairman of the Board of the Federal Reserve Bank of San Francisco's Los Angeles Branch. Addressing the California Club's Economic Round Table and the Jonathan Breakfast Club, Chairman Vaughan said that there is a good deal of public misunderstanding of the Federal Reserve's monetary policy.

"Recent critical attacks would lead to the revision of the Federal Reserve Act—including elimination of the checks and balances contained in the Act of 1913—and substitution of a monetary policy directly controlled by the Congress. Many social reformers

Angeles World Affairs Council, the National Committee on United States-China Relations Inc., and the Performing Arts Council of the Music Center.

Among the many awards Mrs. Ahmanson has received for her civic and cultural activities are the Certificate of Merit from the Council of the City of Los Angeles, the Civic award of the Los Angeles Chapter of Alpha Kappa Psi (National Business Fraternity), an honorary life membership in the Parent-Teachers Association for her work with teenagers, and the Individual Award of Honor for Community Service in the Arts from the Los Angeles County Federation of Youth Clubs for ten years of voluntary service.

Active in the field of education, Mrs. Ahmanson has taught at Marymount College, Marymount High School and Immaculate Heart High School for 14 years. In addition, she is presently fulfilling speaking engagements throughout the United States as a member of the Council of the American Association of Museums. Mrs. Ahmanson, of course, is known to millions for her long-time participation on the Art Linkletter show, as a fashion, beauty and charm commentator and consultant. 


today call for public members on boards and commissions of governmental agencies, and yet it is interesting to note that in 1913 the public-member philosophy was incorporated into the Federal Reserve Act."



J.R. Vaughan

Vaughan noted that the critics of the Fed attack the System from different perspectives. "Some legislative proposals come from those who only seek changes in purpose, structure or function, which they believe would improve the Fed's performance. But other critics propose a drastic overhaul of the System. Whatever their motives, these critics could contribute substantially to striking down the independence of the Fed, and the present checks and balances in the System."

Vaughan explained, "While the Fed can contribute to the economic welfare of the country—it is far from being the prime mover. It is a branch of government serving and regulating the banking industry and charged with management of monetary policy in a way which will promote the public interest. But it is independent of the executive or legislative branches of government by structure, especially so designed."

The Los Angeles industrialist concluded, "Undoubtedly, the Fed can be improved, but evaluation of present proposals as for better or for worse must begin with a knowledge of its purposes and functions, its capabilities and limitations." 



WELCOME, NORTHWEST NATIONAL BANK

A 60-year-old institution in Vancouver, Washington recently became one of the newest members of the Federal Reserve System. Northwest National Bank entered membership when it received a National Banking Charter from the Comptroller of the Currency's Thirteenth Region.

The bank draws customers from a thriving trade area that extends across Washington and Oregon, by operating five offices in the booming Portland-Vancouver area.

The \$20 million institution was founded in 1910 when the First State Bank of Yacolt opened for business in a small Clark County community. The bank continued as a single-office, state-chartered institution until its 1966 purchase by Robert A. Young, then President of the Everett (Washington) Trust and Savings Bank.

Things began to happen with Mr. Young's arrival. The Hazell Dell Branch was opened in 1969, a corporate name-change in 1970 created the Northwest bank image, and 1971 saw both the opening of the East

MEMBER-BANK BORROWING CHANGE

The Federal Reserve Board of Governors recently announced proposals to liberalize the conditions which govern certain types of member-bank borrowing. The change is designed to help banks, especially smaller banks, that are subject to significant seasonal-loan demand or deposit fluctuations, to meet the financial needs of their communities.

Vancouver branch and its designation as the new Head Office. The bank opened its Mill Plain office in 1973 and its Orchards branch this year, and it now has permission for a branch in Battle Ground.

Bob Young has passed his love of banking along to his two sons—both Washington bankers—while his daughter is a St. Louis child psychologist. An active chief executive, "Bob" is 1976 National President of Robert Morris Associates, a Director of the Washington Bankers Association, and a committee member of the American Bankers Association. 🏦

The proposed changes would permit member banks to be eligible for seasonal credit from the Federal Reserve even though they maintain a portion of their liquid assets in the form of Federal funds, so long as such holdings conform to the bank's normal operating experiences. Heretofore, the discount window was not available to such banks if they chose to hold Federal funds.

The proposal also liberalizes the seasonal-borrowing privilege in other ways. Presently, a bank qualifies for seasonal-borrowing assistance if its need for funds in the peak season exceeds 5 percent of average total deposits in the preceding year. The new proposal lowers this formula to 4 percent of the first \$100 million, and includes somewhat higher percentages for larger deposits. The seasonal-credit arrangement normally is not available to banks with deposits of \$500 million or more.

The proposed changes are aimed mainly at assisting smaller member banks, including those that typically maintain liquid balances in the form of Federal funds. Banks in agricultural and other areas which are subject to seasonal peaks in credit demands should be the principal beneficiaries.

Phone (415) 544-2184

Federal Reserve Notes is written by Ron Getz and produced by Karen Rusk. The publication is distributed to commercial banks by the Research Information Center, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, California, 94120.

400 Sansome St., San Francisco, CA 94120
**Federal Reserve Bank
of San Francisco**

FIRST CLASS MAIL
U.S. POSTAGE
PAID
PERMIT NO. 752
SAN FRANCISCO, CALIF.

BOARD PROPOSES LEASING AMENDMENTS

The Federal Reserve Board of Governors recently proposed new amendments to implement the Consumer Leasing Act of 1976. The Act, which goes into effect on March 23, 1977, requires the disclosure of terms under which personal property is leased. The implementing amendments would be part of the Fed's Regulation Z, which covers Truth in Lending.

"In developing the proposed amendments the Board has attempted to maintain the stated Congressional aim of neutrality regarding various business entities engaged in consumer leasing and noninterference with the ability of particular lessors to carry on business," the Board said. "The proposed amendments to Regulation Z are intended to provide consumers with certain basic information which is both meaningful and useful in securing the lease of personal property."

The Consumer Leasing Act of 1976 applies to the leasing of personal, family or household use of personal property—such as autos and furniture—for which the total contractual obligation is less than \$25,000. The Act limits the end-of-lease liability of the person leasing the property, requires meaningful and accurate dis-

FED URGES BANKERS TO PUT \$2s TO WORK

With the end of the initial rush of orders for the two-dollar bill, the Federal Reserve Bank of San Francisco is trying to gauge the future market. Initial demand for the two exceeded expectations, and it wasn't long be-

closure by the firm to whom the property belongs, and regulates the terms of lease advertising.

With the disclosures required under the proposed Reg Z amendment, a consumer should be able to make an approximate comparison of the total cost of leasing personal property with the cost of buying the same property. These disclosures also would help a consumer find out if he owed anything additional at the end of the lease term.

The Fed's Board of Governors is responsible for writing the regulations. Enforcement, as with Truth in Lending generally, is handled by the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the National Credit Union Administration, Civil Aeronautics Board, the Secretary of Agriculture, the Farm Credit Administration, and the Federal Trade Commission. Comment on the amendments will be accepted through August 16. 🏦

fore the Fed's vaults across the country were depleted. But now that supplies have been replenished, the Fed is urging banks to continue promoting the bill.

The two-dollar bill can save taxpayers up to \$7 million annually in production costs alone, simply by displacing the ever-present one. One-dollar bills now consume from 55 to 60 percent of the total currency production time at the U.S. Bureau of Engraving and Printing.

Acceptance of the twos could cut in half the proliferation of one-dollar bills. It costs the government less than one cent to print a note, whether it's a \$1 or a \$100 bill. And a \$2 goes twice as far as \$1 at half the cost.

Wes DeVries, Senior Vice President in Charge of the San Francisco Branch, has these suggestions for bankers:

- * Encourage tellers to promote the two. When customers come in to cash checks, suggest paying out some of the currency in two-dollar bills.

- * Promote the two internally, in employee magazines and through other means of communication.

- * Keep twos in their assigned place in registers, so that they are accessible for receiving and paying out. 🏦