

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 12, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Evans
Mr. Mills
Mr. Robertson

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Cherry, Legislative Counsel

Prior to this meeting there had been sent to the members of the Board copies of a draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, prepared in response to Mr. Jones' letter of June 5, 1953, requesting the Board's views with respect to a draft of legislative proposal submitted by the Department of Commerce to amend certain provisions of title XI of the Merchant Marine Act of 1936, as amended.

There was a discussion of current provisions of the Merchant Marine Act of 1936 and the objectives of the proposed amendments during which question was raised as to whether the Board should undertake to express any views on the legislative proposal inasmuch as its functions were not directly related to the subject matter.

At the conclusion of the discussion unanimous approval was given to a letter to Mr. Jones reading as follows:

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"This is in response to your letter of June 5, 1953 requesting an expression of the Board's views with respect to a draft of a legislative proposal of the Department of Commerce 'To amend certain provisions of title XI of the Merchant Marine Act, 1936, as amended, to facilitate private financing of new ship construction, and for other purposes.'

"The Board understands that the proposal, among other things, would extend the present authority for insurance by the United States Maritime Commission of ship mortgages so as to permit the insurance of loans and advances made during the period of construction of vessels. It would also make eligible for insurance mortgages on completed vessels engaged in foreign trade in any part of the world, thus liberalizing the existing law which applies to vessels in domestic trade and only those engaged in foreign trade which operate between the United States and continental North America and related areas.

"The functions of the Board are not directly related to the subject matter of the proposed legislation and, accordingly, the Board is not in a position to offer any detailed comments regarding the merits of the proposal."

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, St. Louis, Minneapolis, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on June 8, by the Federal Reserve Bank of San Francisco on June 9, by the Federal Reserve Banks of New York, Cleveland, Minneapolis, and Dallas on June 11, and by the Federal Reserve Bank of Richmond on June 11 and 12, 1953, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Cherry referred to a letter dated June 11, 1953, from Mr. Ira L. Dixon, Clerk of the Senate Banking and Currency Committee, requesting a

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report by the Board on a bill pending before that Committee (S. 2103) which would amend the National Housing Act and related legislation in certain respects. He recalled that in response to a request from the Bureau of the Budget, the Board in a letter dated May 28, 1953, advised the Bureau of its views on two parts of a draft bill that had been submitted by the Housing and Home Finance Administrator. The comments of the Board were directed principally to the provisions of the draft bill which would have relaxed substantially the down payment requirements for new and used single-family residences in almost all price ranges, and these provisions had been omitted from the bill in the form in which it was now pending before the Banking and Currency Committee. However, provisions with respect to the operation of the Mutual Mortgage Insurance Fund on which the Board also commented remained in the bill.

Mr. Cherry said that Mr. Dixon had inquired earlier this week whether the Board would want to testify on the bill and that he advised Mr. Dixon that he did not believe so. Yesterday, however, Mr. Dixon informed him that the Committee might wish to have testimony by a member of the Board, preferably the Chairman, or a representative of the Treasury Department.

Chairman Martin stated that he understood Mr. Burgess, Special Deputy to the Secretary of the Treasury, was planning to testify, and he

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suggested that Mr. Cherry indicate to Mr. Dixon that he (Chairman Martin) would discuss the matter with Mr. Burgess. Chairman Martin expressed the view that since the Board would have little to contribute to the discussion of the housing bill, it would be preferable not to testify in the absence of a specific request from the Banking and Currency Committee. Chairman Martin also suggested that a letter be prepared in response to Mr. Dixon's letter requesting the Board's views which would take the position that the Board had no comments to offer with respect to the housing bill in its present form.

Following a discussion, during which Mr. Noyes, Assistant Director of the Division of Research and Statistics, was called into the meeting, unanimous approval was given to a letter to Senator Capehart, Chairman of the Senate Banking and Currency Committee, in the following form:

"This is in reply to Mr. Dixon's letter of June 11 requesting the Board's opinion as to the merits of S. 2103, 'Housing Amendments of 1953'. The bill would make a number of amendments to the National Housing Act and related legislation, including changes in the operation of the Mutual Mortgage Insurance Fund, an increased mortgage insurance authorization, and provisions relating to the operation of the Federal National Mortgage Association.

"The Board has reviewed the changes which would be made in existing legislation by this bill and has concluded that they are not of major significance from the standpoint of the functions and responsibilities of the Board of Governors. Accordingly, the Board has no specific suggestions or recommendations to make regarding the merits of the proposed legislation in its present form.

"The Board appreciates the opportunity afforded us to review and comment on this proposed legislation."

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The meeting then adjourned. During the day the following additional actions were taken by the Board with all of the members except Governors Szymczak and Vardaman present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 11, 1953, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on June 11, 1953, were approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of June 5, 1953, addressed to Mr. Sloan, the Board approves the appointment of Thomas L. Wolfe as an assistant examiner for the Federal Reserve Bank of Chicago.

"Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of June 8, 1953, the Board approves the designation of Jack M. Egertson as a special assistant examiner for the Federal Reserve Bank of Chicago.

"Please advise us of the date upon which the designation of Mr. Egertson is made effective."

Approved unanimously.

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Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of June 9, 1953, the Board approves the designation of William Seitz, Jr., as a special assistant examiner for the Federal Reserve Bank of Chicago.

"Please advise us of the date upon which the designation of Mr. Seitz is made effective."

Approved unanimously.

Letter to the Board of Directors, Auburn Trust Company, Auburn, New York, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the Auburn Trust Company to assume the deposit liabilities of the Auburn Branch of the Industrial Bank of Central New York, Syracuse, New York, provided the transaction is effected substantially as presented through the Federal Reserve Bank of New York."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of New York.

Letter to the Board of Directors, Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, reading as follows:

"The Board of Governors approves the establishment and operation of a branch by the Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, at the intersection of Terry and Raymond Roads, within the corporate limits of Jackson, Mississippi, provided the branch is established within one year from the date of this letter."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Atlanta.

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Letter to Mr. Leedy, President, Federal Reserve Bank of Kansas City, reading as follows:

"The Board has given careful consideration to your letter of June 11, 1953, enclosing a copy of a letter from Mr. Elwood M. Brooks, President of The Central Bank and Trust Company, Denver, Colorado, in which it is proposed that the bank will sell 10,000 shares of \$10 par value at \$14 per share to provide \$1,400,000 additional capital.

"In response to the requirement imposed by the Board in its letter of October 10, 1952, that the bank increase its capital funds promptly through the sale of additional common stock to net not less than \$2,000,000, assurances were received that the bank proposed to increase its capital by \$2,250,000 through the sale of additional stock and that the major stockholders had been contacted and were in agreement with the plan. In connection with this proposal consent was requested and received for moving to new quarters in a building to be constructed at 15th and Curtis Streets in Denver under a plan which contemplated the assumption of a substantial lease obligation.

"It is extremely disappointing to receive this counter-proposal but the Board is not disposed to insist upon a requirement with respect to which compliance is represented to be impossible and will interpose no objection to the sale of 10,000 additional shares as proposed. However, it does not feel that the bank will be capitalized adequately after the addition of the funds to be received from the sale.

"The requirement imposed by the Board in its letter of October 10, 1952, was based upon the condition disclosed by the report of the examination of the bank on June 20, 1952. At that time its deposits were \$65,500,000 and it is reported that they now amount to \$76,000,000. The call report of condition submitted by the bank on April 20, 1953, does not indicate a substantial change in its risk asset position. In the circumstances, if adequate additional capital cannot be provided at the present time, it is felt that the bank should take immediate steps to bring its risk exposure within the limitations imposed by its capital position."

Approved unanimously.

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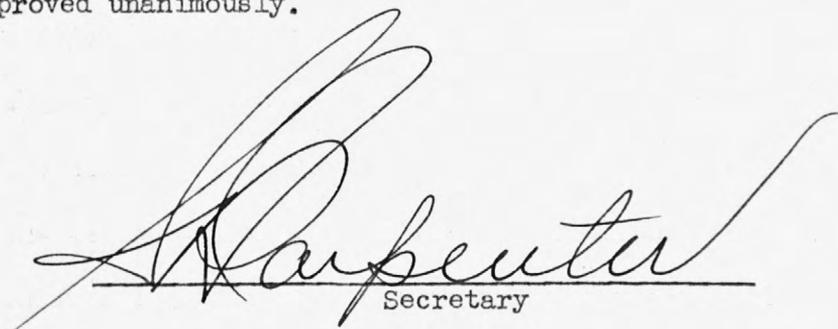
Letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to Vice President Millard's letter of May 26, 1953, submitting the application of San Fernando Valley Commercial and Savings Bank, Pacoima (Los Angeles), California, for membership in the Federal Reserve System.

"It is noted that the recommendation of the Federal Reserve Bank of San Francisco regarding the admission to membership of this bank is unfavorable because of the proposed management which is considered weak.

"The Board of Governors concurs in the views of the Reserve Bank and in the circumstances does not feel that favorable consideration could be given to the bank's application for membership at this time. It is therefore requested that you suggest to the bank that its application for membership be withdrawn. When the management has demonstrated its ability to operate the institution satisfactorily or other management of known competence is provided, the Board will be glad to consider an application for membership in the Federal Reserve System."

Approved unanimously.


Secretary