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 Minutes of actions taken by the Board of Governors of the  
 Federal Reserve System on Monday, July 20, 1953.

PRESENT: Mr. Szymczak, Acting Chairman  
 Mr. Vardaman  
 Mr. Mills

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary

Letter to the Comptroller of the Currency, Treasury Department,  
 Washington, D. C., (Attention: Mr. W. M. Taylor, Deputy Comptroller of  
 the Currency), reading as follows:

"Reference is made to your letter of June 19, 1953,  
 enclosing a photostatic copy of an application to convert  
 Florida Bank at Perry, Perry, Florida, into a national bank-  
 ing association.

"The Florida Bank at Perry is an insured nonmember bank  
 which was organized in 1907 as 'The Perry Banking Company.'  
 In 1951 control was acquired by the Estate of Alfred I. duPont  
 and the present title was assumed. It is one of the banks in  
 the so-called Florida National Group.

"The Federal Reserve Bank of Atlanta reports favorably  
 on the basis of a report of examination of the Florida Bank  
 at Perry made by an examiner for the Federal Deposit Insurance  
 Corporation as of May 23, 1953, with respect to factors usually  
 considered in connection with such applications. The Board of  
 Governors recommends that the application be approved.

"The Board's Division of Examinations will be glad to  
 discuss any aspects of this case with representatives of your  
 office, if you so desire."

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department,  
 Washington, D. C., (Attention: Mr. L. A. Jennings, Deputy Comptroller  
 of the Currency), reading as follows:

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"Reference is made to your letter of May 4, 1953, enclosing a photostatic copy of an application to organize a national bank at Lawndale, California, and requesting a recommendation as to whether or not the application should be approved.

"The Board has received a report of an investigation made by an examiner for the Federal Reserve Bank of San Francisco covering the factors usually considered in connection with such applications. The report indicates there are ten branch banks and one independent bank within a radius of five miles from the location of the proposed bank, the nearest being a branch of the Bank of America NT&SA at Hawthorne, one and one-half miles north. While the convenience of the community might be served, the need for the facility is not pressing. The organizers appear to be representative business men, but, with the exception of one who served as a director of a local bank which failed in 1932, none have had banking experience and no definite assurance was received that adequate management would be provided. In view of the kind of competition which would be faced by a new small bank in this area, we do not believe favorable consideration should be given the application in the absence of convincing proof that competent management is available and will be provided. In the circumstances, the Board does not recommend approval of the application.

"The Board's Division of Examinations will be glad to discuss any phase of the case with representatives of your office, if you so desire."

Approved unanimously.

Letter to Mr. Russell G. Smith, Executive Vice President, Bank of America, 40 Wall Street, New York, New York, reading as follows:

"The Board appreciates your letter of July 8, 1953, in which you express the desire of the executive officers of your corporation to cooperate to the fullest extent in the Board's review of the proper scope of activities of corporations organized under section 25(a) of the Federal Reserve Act, with particular reference to activities in the United States. In its review of this subject, the Board has, of course, had in mind the desirability of affording an opportunity at the appropriate time for a full expression of the

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"views of interested persons, and you may be assured that the Board would wish to have the benefit of your viewpoint and experience in these matters before reaching any conclusions which would substantially affect the operations of corporations organized under section 25(a)."

Approved unanimously, for transmittal through the Federal Reserve Bank of New York, with a copy to the Federal Reserve Bank of San Francisco.

Letter to Mr. McCormick, Chairman, Federal Reserve Bank of Richmond, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Richmond, made as of March 2, 1953, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also left for President Leach.

"The Board will appreciate advice that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will also be appreciated."

Approved unanimously.

Letter for the signature of Acting Chairman Szymczak addressed to The Honorable Homer E. Capehart, Chairman, Committee on Banking and Currency, United States Senate, Washington, D. C., a copy of which was submitted to the Director of the Bureau of the Budget on July 14, 1953, reading as follows:

"This is in response to Mr. Dixon's request of June 10, 1953, for the Board's views on the bill S. 2069, which would amend section 24 of the Federal Reserve Act so as to authorize

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"national banks to make loans on forest tracts. That section now authorizes national banks to make real estate loans secured by first liens upon 'improved real estate', which has been interpreted to exclude forest-tract loans.

"The Board would be generally favorable to legislation authorizing the making of loans of the type proposed, to the extent that this can be done consistently with the safety of national banks.

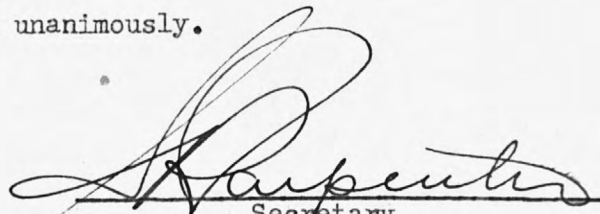
"With regard to specific provisions of the bill, it is felt that, since the added lending authority would represent a considerable departure from the existing authorization to national banks to make loans on improved real estate, it may be desirable initially to provide a shorter maximum maturity for loans upon forest tracts than the ten years provided in the bill as introduced.

"The bill requires that loans made thereunder shall be made upon such terms and conditions as to assure that 'at no time shall the loan balance exceed 40 per centum of the original appraised value of the economically marketable timber then remaining.' In this connection your Committee may wish to consider the desirability of requiring that the proceeds of timber cut from the mortgaged tract be applied on the loan, either (1) wholly or (2) to the extent necessary to maintain the 40 per cent ratio.

"Finally, it is noted that the bill makes eligible as loan security only those forest tracts 'which are properly managed in all respects'. It is questioned whether this clause adds materially to the substance of the proposed legislation, and it is likely to present difficult problems of interpretation to the banks affected and to the supervisory authorities.

"We have been informed by the Bureau of the Budget that it has no objection to the submission of this report."

Approved unanimously.

  
Secretary