

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, December 15, 1953.

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

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 14, 1953, were approved unanimously.

Memoranda dated December 14, 1953, from Mr. Sloan, Director, Division of Examinations, recommending, pursuant to the program approved by the Board on September 16, 1952, that the following Federal Reserve Bank employees be appointed Assistant Federal Reserve Examiners while assigned to duty with the Board's field examining staff for approximately one year each:

<u>Name</u>	<u>Federal Reserve Bank</u>	<u>Position with Bank</u>
George E. Ellerich	New York	Supervisor, Check Department
William C. Bronner	Minneapolis	Assistant Department Head, Fiscal Agency Department

The memorandum with respect to Mr. Ellerich stated that it was contemplated he would report in Washington, D. C., on January 4, 1954, that he would join the field staff shortly thereafter, and that

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his official headquarters would be in Washington, D. C. The memorandum with respect to Mr. Bronner stated that it was contemplated he would report in Washington on January 4, 1954, that he would join the field staff shortly thereafter, and that while he was in Washington the Division of Examinations would obtain information necessary to submit a recommendation as to the location of his official headquarters.

The memoranda also stated that Messrs. Ellerich and Bronner would remain on the pay rolls of the Federal Reserve Banks of New York and Minneapolis, respectively, on a reimbursable basis while they were assigned to duty with the field staff, that reimbursement to the Reserve Banks would include salary and all related payments such as Retirement System contributions, social security, hospitalization-surgical insurance, and group life insurance, and that during the period of their service with the field staff, the Board would pay their travel expenses and per diem in lieu of subsistence on the same basis as is applicable to other members of the field staff.

Approved unanimously.

Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

Pursuant to your request contained in a letter dated December 8, 1953, the Board of Governors approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Boston for the purpose of participating in the examinations of Industrial

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Trust Company, Providence, Rhode Island; Rhode Island Hospital Trust Company, Providence, Rhode Island; The Hartford-Connecticut Trust Company, Hartford, Connecticut; Depositors Trust Company, Augusta, Maine; The Merrill Trust Company, Bangor, Maine:

Mary E. Dalton  
Katherine P. Crowley  
Rita A. Finnegan  
Margaret M. Elliot  
Constance E. Rinaldi

Approved unanimously.

Letter to Mr. Bilby, Vice President, Federal Reserve Bank of New York, reading as follows:

In accordance with the request contained in your letter of December 8, 1953, the Board of Governors approves the continuation of the payment of salary to Mrs. Helen Monahan, Examination Clerk, Safekeeping Division, Safekeeping Department, at her present rate of \$4,353 per annum, for the period from December 11, 1953, through December 24, 1953.

Approved unanimously.

Letter to Mr. J. Robert Abramson, President, Centreville National Bank, West Warwick, Rhode Island, reading as follows:

This refers to your correspondence with the Federal Reserve Bank of Boston requesting a determination as to the status of the Centreville Savings Bank, West Warwick, Rhode Island, as a holding company affiliate.

From the information supplied it appears that the Centreville Savings Bank is a mutual savings institution whose primary function is to receive deposits and invest the same in mortgages, loans, corporate bonds and securities; that Centreville Savings Bank is a holding company affiliate of the Centreville National Bank, West Warwick, Rhode Island, by reason of the fact that it owns 1,145 of the 2,000 outstanding shares of common stock of the national bank; and that, for investment purposes, Centreville Savings Bank also owns shares of common stock in a number of other banks but does not own a

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substantial proportion of the stock of, or manage or control, directly or indirectly, any banking institution other than the Centreville National Bank.

In view of these facts, the Board has determined that the Centreville Savings Bank is not engaged, directly or indirectly, as a business, in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of Section 2(c) of the Banking Act of 1933, as amended, and accordingly, the Centreville Savings Bank is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that the Centreville Savings Bank might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

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

Letter to Mr. Armistead, Vice President, Federal Reserve Bank  
of Richmond, reading as follows:

Reference is made to your letter of November 27, 1953, and Mr. Wayne's letter of November 12, 1953, submitting the request of National Savings and Trust Company, Washington, D. C., for approval to maintain a total investment in the amount of \$1,200,000 in bank premises, which amount exceeds the bank's capital by \$200,000. It is understood that the purpose of this request is to permit the bank to make investments in bank premises from time to time which would restore the book value of bank premises to an amount not exceeding \$1,200,000 without approval by the Board of Governors of each proposed increase in investment.

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The bank's investment in bank premises has exceeded its capital stock for a number of years, and the carrying value exceeds the depreciated value for tax purposes. While recognizing these facts, the Board has, from time to time in the past several years, granted permission for certain expenditures for bank premises with the understanding that such increases would be depreciated within a relatively short period.

As you know, section 24A of the Federal Reserve Act provides that a State member bank shall not, without the Board's approval, invest in bank premises if aggregate of such investments will exceed the amount of the bank's capital stock. It is apparent that the purpose of this statute is to have the Board consider each and every investment in bank premises which would result in the book value of the premises exceeding the limit prescribed by statute. Therefore, the Board does not feel that it can approve the bank's request to maintain a maximum investment of \$1,200,000 in bank premises.

Approved unanimously.

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

The Board of Governors of the Federal Reserve System has considered the recommendation of your Bank, contained in your letter of December 2, and pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to Bank of Encino, Encino (Los Angeles), California, to maintain the same reserves against deposits as are required to be maintained by banks located outside of central reserve and reserve cities, effective as of the date of commencement of business by the subject bank.

Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System.

Approved unanimously.

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Letter to the Presidents of all Federal Reserve Banks and the Vice Presidents in charge of the Detroit and Los Angeles Branches reading as follows:

In connection with an audit which the General Accounting Office is making as of June 30, 1953, of V-loans guaranteed by the Departments of the Army, Navy and Air Force, it will be appreciated if you will furnish the Board, in duplicate, the following information with respect to loans purchased for account of each of the above guarantors. If no loans have been purchased, negative reports should be submitted.

1. Name and address of borrower
2. Name and address of the financing institution
3. Number of guarantee agreement
4. Maximum amount of loan specified in guarantee agreement
5. Per cent guaranteed
6. Percentage of guarantee fee
7. Date of purchase by Federal Reserve Bank
8. Amount of principal and accrued interest purchased
9. Additional amount advanced since purchase
10. Balance of purchased principal and interest as of June 30, 1953
11. Principal outstanding, including unguaranteed portion as of June 30, 1953
12. Schedule of collateral as of June 30, 1953
13. An opinion, if one can be rendered at this time, as to the collectibility of the loan.

Separate statements, officially signed, should be submitted for each of the three guaranteeing agencies.

Approved unanimously.

Letter for the signature of the Chairman to Mr. Carl E. Davis, Staff Director, Select Committee on Small Business, House of Representatives, Washington, D. C., reading as follows:

This is in reply to your letter of November 17 requesting statistics concerning "V" loans and section 13b loans extended beginning with January 1, 1952, and information along the lines of a study by the Board's staff furnished to you about a year ago concerning the availability of commercial bank loans to small business.

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The statistics you requested are shown on the attached tables. We are also enclosing a statement for the press dated October 30, 1953, showing the number and amount of "V" loans authorized from the beginning of the program in September 1950 through September 30, 1953, with similar breakdowns on a percentage distribution basis by size of loan, assets of borrower, and number of employees of borrower.

Our staff has reviewed its answers to the questions you asked a year ago regarding the availability of commercial bank loans to small business, and finds that the only changes to be made at this time are those necessary to take account of later data and recent developments. In general, credit problems affecting the small business area are substantially the same as indicated in the original staff memorandum. The over-all supply of bank credit is somewhat easier than eight or ten months ago, however, and defense-connected credit demands falling on banks have declined, with the result that the availability of bank credit to nondefense borrowers is probably greater now than it was early in this year or in late 1952.

There is enclosed a set of revised answers to the questions you originally asked. As you will note, most revisions are relatively minor, and no changes have been made in the answers to questions 5 and 7.

If we may be of further assistance to you, please do not hesitate to call on us.

Approved unanimously.

Letters to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

This is in response to your communication of November 24, 1953, with enclosure, requesting the views of the Board regarding identical bills H. R. 3989 and H. R. 4038, "To amend the Bankhead-Jones Farm Tenant Act, as amended, so as to improve the credit services available to farmers seeking to adopt soil- and water-conserving systems of farming contributing toward development of a permanently and abundantly productive American agriculture."

These bills would authorize the Secretary of Agriculture to insure approved lending institutions against

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losses which they may sustain as a result of extensions of credit for the purpose of financing the improvement of farm land by soil or water conserving or drainage facilities, reforestation, or other erosion preventatives and such other related measures as may be determined by the Secretary. The insurance granted to any lending institution would be limited in amount to 35 per centum of the total amount of credit extended by the particular institution which is eligible for insurance. Also, the total liability which may be outstanding at any one time is limited to \$100 million.

Since it appears that the legislation is related only slightly to the responsibilities of the Federal Reserve System, the Board has no comments to submit.

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This is in response to your communication of December 1, 1953, in which you request the Board's comments on a proposal submitted by the Atomic Energy Commission which would amend the Atomic Energy Act of 1946, as amended, in a number of respects. The proposed amendments, among other things, pertain to information control, including personnel security clearances, modification of the present definition of "restricted data", and exchange of information with other nations; the production of fissionable material outside the United States; the availability of fissionable material to other nations; liberalization of the "conflict of interests" statutes as applied to Atomic Energy Commission employees; and modification of the tax laws to encourage uranium production. The Board has no comments with respect to these provisions since they do not appear to be closely related to the responsibilities of this Board.

It is noted that the requested legislation also would provide the Atomic Energy Commission with permanent authority to guarantee loans made by any public or private financing institution in connection with the development of both domestic and foreign sources of uranium, although, as long as the Defense Production Act of 1950, as amended, and the Defense Production Act Amendments of 1953 are in effect, the Commission would be required to guarantee loans in accordance with those Acts. The Board has no objection to the proposal to grant such permanent authority.

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This refers to your letter of December 10, 1953, requesting an expression of the Board's views with respect to a draft of a proposed letter from the Renegotiation Board to the Senate Finance Committee commenting on, and proposing certain amendments to, the bill H. R. 6287 to amend the Renegotiation Act of 1951.

It is noted that the proposed letter of the Renegotiation Board concurs in provisions of the bill which would extend the Renegotiation Act for one year, raise the statutory "floor", and provide that the Renegotiation Board shall consider certain contracts as not having a direct or immediate connection with the national defense; but that the Renegotiation Board opposes certain other provisions of the bill, particularly the proposed exemption of contracts for "standard commercial articles", and suggests several additional technical amendments which it believes will promote the proper and efficient administration of the renegotiation function.

While the Board of Governors appreciates the importance of this matter, the subject matter of the proposed legislation and the comments of the Renegotiation Board is one which is not directly related to the functions of the Board of Governors and it feels, therefore, that it is not in a position to offer any detailed comments regarding the merits of this proposal.

Approved unanimously.



Secretary