

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 21, 1954. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
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. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Noyes, Assistant Director, Division of Research and Statistics
Mr. Cherry, Legislative Counsel

The following requests for travel authorization were presented:

<u>Name and title</u>	<u>Duration of travel</u>
Dwight L. Allen, Director, Division of Personnel Administration	January 25-26, 1954

To travel to New York, New York, to attend a meeting of the Retirement Committee of the Retirement System of the Federal Reserve Banks.

Henry Benner, Assistant Director, Division of Examinations	January 21-22, 1954
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To travel to Richmond, Virginia, to survey the Bank Examination Department of the Federal Reserve Bank of Richmond.

Approved unanimously.

Under date of January 18, 1954, the Board received from the Bureau of the Budget a copy of a draft of the proposed Housing Act of 1954, with

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the request that the views of the Board be presented at a "clearance session" to be held on either January 20 or 21. (Subsequently, the meeting was set for January 21.) Accordingly, there had been prepared and sent to the members of the Board prior to this meeting a memorandum dated January 20 from Messrs. Noyes and Solomon discussing various provisions of the proposed Act and suggesting certain comments which might be offered.

The matter was considered in the light of (1) the provisions of the proposed Act relating specifically to the banking system, and (2) the provisions having such broad economic significance as to affect the general stability of the economy.

In the first category, section 301 of the bill would revise the National Housing Act to make debentures of the Federal National Mortgage Association (which would be reconstituted by Title III) having maturities of six months or less eligible for purchase by Federal Reserve Banks, section 303(a) contained another provision to the same effect, and section 303(b) would make all obligations of the new Federal National Mortgage Association eligible for 15-day advances to member banks by Federal Reserve Banks. Section 304 would permit Federal savings and loan associations to invest in obligations of the Federal National Mortgage Association. Section 601(1) would change the name of the Federal Savings and Loan Insurance Corporation to the "Federal Savings Insurance Corporation", section 601(4) would authorize insured savings

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and loan shares to be used as lawful investments, or security, for "all fiduciary, trust, and public funds" of the United States and "all corporations organized under the laws of the United States", and sections 602(1) and (2) would reduce by about one-half the amount of Home Loan Bank stock which member savings and loan associations must own.

In the second category, the terms applicable to practically all of the established Federal Housing Administration programs would be substantially liberalized, the liberalizations provided under sections 203, 207, and 213 being particularly significant, and the bill would apply the same liberalized terms to used housing as would apply to new housing. The reconstituted Federal National Mortgage Association would engage in substantial support operations, and capital contributions required from users of the Association would be only 2 per cent of the amount of mortgages sold to the Association. (Just prior to this meeting a revised section of the draft relating to the Federal National Mortgage Association was received from the Budget Bureau which appeared to contain substantial revisions from the earlier draft of that section.)

Following a general discussion of the matter, during which it was pointed out that the time available had not permitted a close examination of all of the provisions of the proposed Act, Governor Robertson suggested that at the meeting at the Budget Bureau this afternoon

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the Board's representatives be instructed to express firm opposition to the provisions referred to above which related specifically to the banking system and to raise questions as to the desirability of the provisions referred to above as having broad economic significance, making it clear in the latter connection that the Board had taken no definite positions pending additional study and that the Board wished to reserve the right to comment as it saw fit if its views were requested at a later time.

Thereupon, Mr. Riefler was authorized to attend the meeting this afternoon, taking with him such other members of the staff as he wished, with the understanding that his comments would be along the lines suggested by Governor Robertson.

Mr. Noyes then withdrew from the meeting.

At the request of the Chairman, Mr. Vest discussed a letter dated January 19, 1954, from Mr. Kenton R. Cravens, Administrator of the Reconstruction Finance Corporation, to Chairman Martin regarding the proposed plan under which banking institutions would participate in a group of RFC loans to business. In his letter Mr. Cravens raised certain questions with respect to the performance of specific services by the Federal Reserve Banks as fiscal agents of the RFC in connection with the plan. Mr. Cravens also enclosed with his letter a copy of a letter addressed to him under date of January 15, 1954, by the Comptroller of the Currency, in which the Comptroller advised that his office would have no objection

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to the purchase of participations in the loans by national banks under conditions outlined in the letter.

Mr. Vest stated that after discussion of the matter yesterday with Governors Szymczak and Robertson, a letter was sent to President Young, Chairman of the Presidents' Conference Committee on Fiscal Agency Operations, enclosing a copy of Mr. Cravens' letter, with its enclosures, so that the Committee on Fiscal Agency Operations might consider the matter before a reply was made to Mr. Cravens. In addition, a copy of the letter to President Young, with enclosures, was sent to President Leach, Chairman of the Presidents' Conference, and a letter of acknowledgment was sent over Chairman Martin's signature to Mr. Cravens stating that the matter had been referred to the Committee on Fiscal Agency Operations for consideration.

During the course of Mr. Vest's comments, Messrs. Leonard, Director, Division of Bank Operations, and Allen, Director, Division of Personnel Administration, entered the room.

Governor Szymczak stated that following the discussion of the matter yesterday, he talked by telephone with Mr. Burgess, Deputy to the Secretary of the Treasury, who represents the Treasury on the policy committee on fiscal agency operations, and that Mr. Burgess said the Treasury would like to review the matter and would obtain from Mr. Cravens a copy of the outline of the proposed plan.

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Governor Robertson stated that a meeting to discuss the plan would be held tomorrow at the Reconstruction Finance Corporation and that among those attending would be the Comptroller of the Currency, the Superintendent of Banks of New York State, the State Bank Commissioner of Connecticut (who is President of the National Association of Supervisors of State Banks), and their respective counsel. Governor Robertson raised the question whether he and Mr. Vest should accept an invitation to attend the meeting. The Comptroller of the Currency having ruled regarding participation by national banks, he presumed that the New York and Connecticut State bank supervisors would be asked whether banks in those States might participate. If they agreed, he assumed a decision would be made to put the plan in operation, with State-chartered banks in other States participating if State laws permitted. He felt that the Board's representatives would have little to contribute in this connection.

Governor Robertson also said that if he attended the meeting, he would only expect to say with regard to the fiscal agency aspects of the plan that the matter was being handled along the lines mentioned by Mr. Vest. He felt that the question might also be raised as to whether the Federal Reserve examiners would assist in appraising the RFC loans which were to be placed in the "pool" of loans to be offered for bank participation in order to determine the price at which the loans should be sold.

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Following a discussion of the points raised by Governor Robertson, during the course of which Governor Mills withdrew from the meeting to keep another appointment, Chairman Martin suggested that Governor Robertson and Mr. Vest attend the meeting in order that the Board might be kept informed of developments, and that with respect to the use of Federal Reserve examiners to appraise the RFC loans, Governor Robertson be authorized to exercise his judgment as to what he should say if the subject came up.

Chairman Martin's suggestions
were approved unanimously.

All of the members of the staff except Messrs. Carpenter, Vest, and Allen then withdrew from the meeting.

Governor Vardaman stated that Mr. Boothe, Administrator of the Office of Defense Loans, had suffered a slight heart attack and would be away from his desk, on the advice of his physician, for a month or more. He said that in the interim the work of the Office could be handled adequately by Mr. Connell, Technical Assistant, with assistance from Mr. Hackley, Assistant General Counsel, on legal matters. Governor Vardaman stated that in the absence of objection by the Board, he would suggest that the work of the Office of Defense Loans be handled in this way, with the understanding that the matter would be given further consideration should it develop that Mr. Boothe would be absent for a longer period than now contemplated.

The arrangement outlined by
Governor Vardaman was approved
unanimously.

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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 Governor Evans present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 19, 1954, were approved unanimously.

Telegram to Mr. J. Wayne Reitz, Provost, College of Agriculture, University of Florida, Gainesville, Florida, prepared pursuant to action taken at the meeting on January 18, 1954, and reading as follows:

Board of Governors of Federal Reserve System has appointed you a director of Jacksonville Branch of Federal Reserve Bank of Atlanta for unexpired portion of term ending December 31, 1954, and will be pleased to have your acceptance by collect telegram.

It is understood you are not a director of a bank and do not hold public or political office. Should situation in these respects change during tenure of your appointment, will be appreciated if you will advise Chairman, Federal Reserve Bank of Atlanta.

Approved unanimously.

Telegram to Mr. McGregor Smith, President and General Manager, Florida Power and Light Company, Miami, Florida, prepared pursuant to action taken at the meeting on January 18, 1954, and reading as follows:

Board of Governors of Federal Reserve System has appointed you a director of Jacksonville Branch of Federal Reserve Bank of Atlanta for unexpired portion of term ending December 31, 1956, and will be pleased to have your acceptance by collect telegram.

It is understood you are not a director of a bank and do not hold public or political office. Should situation in these respects change during tenure of your appointment, will be appreciated if you will advise Chairman, Federal Reserve Bank of Atlanta.

Approved unanimously.

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

In accordance with the request contained in your letter of January 13, 1954, the Board of Governors approves the designation of Hugh Montgomery (at present an assistant examiner), Edward M. Reilly, and Raymond E. Talbot as special assistant examiners for the Federal Reserve Bank of New York.

Approved unanimously.

Letter to Mr. Fulton, President, Federal Reserve Bank of Cleveland, reading as follows:

The Board of Governors approves the reappointments of Messrs. Sam W. Emerson, Herbert P. Ladds, John P. McWilliams, Herman R. Neff, and Arthur W. Steudel as members of the Industrial Advisory Committee for the Fourth Federal Reserve District to serve for terms of one year each beginning March 1, 1954, in accordance with the action taken by the Board of Directors as reported in your letter of January 14, 1954.

Approved unanimously.

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

In accordance with the request contained in your letter of January 14, 1954, the Board of Governors approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Richmond:

Baltimore Branch

Charles W. Albany

Nils A. Canter

Charlotte Branch

Charles H. Duls

John M. Lawing

Appropriate notations have been made in the Board's records of the names to be deleted from the list of special assistant examiners.

Approved unanimously.

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

Reference is made to your letter of January 11, 1954, regarding the proposal of the Security Bank, Lincoln Park, Michigan, to establish its proposed branch at the intersection of Goddard and Cooper Roads in Taylor Center, Michigan, rather than at the southwest corner of Telegraph Road and Kensington Avenue in Taylor Center, Michigan, as approved by the Board of Governors on July 10, 1953. It is noted that the proposed new location is "approximately a few hundred yards" from the site approved by the Board.

The Board of Governors concurs in the Reserve Bank's recommendation and interposes no objection to the proposal to establish the branch at the new location, as outlined above.

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

Pursuant to the provisions of section 4(b) of the Federal Deposit Insurance Act, the Board of Governors of the Federal Reserve System hereby certifies that the Peoples State Bank of Kountze, Kountze, Texas, became a member of the Federal Reserve System on January 18, 1954, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in section 6 of the Federal Deposit Insurance Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act.

Approved unanimously.

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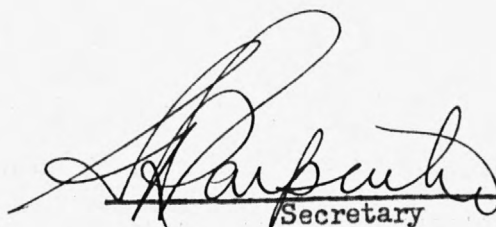
Letter to the Federal Deposit Insurance Corporation, Washington,

D. C., reading as follows:

Pursuant to the provisions of section 4(b) of the Federal Deposit Insurance Act, the Board of Governors of the Federal Reserve System hereby certifies that the Bank of Las Vegas, Las Vegas, Nevada, became a member of the Federal Reserve System on January 18, 1954, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in section 6 of the Federal Deposit Insurance Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act.

Approved unanimously.


Secretary