

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, September 20, 1955. The Board met in the Special Library at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
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. Sloan, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. Allen, Economist, Division of Research and Statistics

Prior to this meeting, there had been sent to the members of the Board copies of a draft of letter to the Presidents of all Federal Reserve Banks concerning intermediate-term bank credit for agricultural purposes. The letter would make it clear that, contrary to certain allegations, any reluctance by banks to make agricultural loans on such a basis is not attributable to Federal law or regulations or to opposition by Federal Reserve examiners.

Governor Robertson outlined reasons for sending the suggested letter, stating that comments had been made to Governor Shepardson recently by representatives of the Department of Agriculture and the American Bankers Association to the effect that many bankers are reluctant to make

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agricultural loans on an intermediate-term basis because of examiners' criticism. He said that the problem was not a new one, that he did not think there was a basis for the assertions, and that any reluctance to make such loans apparently was attributable to commercial banking practices rather than to criticism on the part of the bank supervisory authorities. However, he considered it advisable to call to the attention of all bank examiners that there are no Federal laws or regulations which prevent banks from lending on an intermediate-term basis for agricultural purposes and that such loans are not to be considered undesirable as a class.

His preference, Governor Robertson said, would be to have a joint statement issued by the Board of Governors, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the National Association of Supervisors of State Banks. However, time would be required to work out language acceptable to all concerned and in the circumstances it occurred to him that a satisfactory alternative would be for the Board to send a letter to the Federal Reserve Banks. The mailing of this letter would be held up until copies had been sent to the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, and the President of the National Association of Supervisors of State Banks so that they might consider issuing similar statements. Clearance by the State bank supervisors, he pointed out, would be expedited if the matter could be taken up at their forthcoming convention in Chicago. He then read the letters of transmittal which he proposed to send with copies of the Board's letter.

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Unless the responses from the other bank supervisory authorities indicated the desirability of some different procedure, Governor Robertson said, the Board's letter would be sent to the Federal Reserve Banks in about ten days. At the same time, copies would be sent to the Agricultural Commission of the American Bankers Association and to those persons in the Department of Agriculture who had raised questions with Governor Shepardson.

Governor Shepardson supplemented Governor Robertson's comments by referring to the criticisms which had been presented recently, both orally and in various documents. He expressed the opinion that it was important to have the situation understood and accepted, particularly in light of the present agricultural situation, and he went on to say that the procedure outlined by Governor Robertson would tend to abet the efforts now being made to bring about a shift of production from surplus commodities to other commodities.

In a further discussion, minor changes in the letters of transmittal were suggested and agreed upon. There was also agreement with a statement by Governor Mills that efforts should be made to coordinate the public release of any letters or statements which might be distributed by the various bank supervisory authorities.

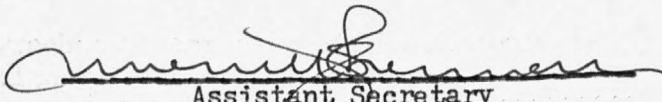
Thereupon, the procedure suggested by Governor Robertson was approved unanimously, with the understanding that unless the comments received from the other bank supervisory authorities indicated the

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desirability of further consideration,
the letter discussed at this meeting
would be sent to the Presidents of the
Federal Reserve Banks.

Minutes of actions taken by the Board of Governors of the Fed-
eral Reserve System on September 19, 1955, were approved unanimously.

The meeting then adjourned.


Assistant Secretary