

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 4, 1955. The Board met in the Board Room at 1:45 p.m.

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

Mr. Kenyon, Assistant Secretary
Mr. Vest, General Counsel
Mr. Horbett, Associate Director, Division of Bank Operations

This meeting was called for the purpose of considering a memorandum submitted by the Presidents' Conference covering topics to be discussed at the joint meeting of the Board and the Presidents later in the afternoon. Copies of the memorandum had been sent to the members of the Board.

The topics were reviewed and it appeared that several of them were matters of information or for other reasons required no statement on the part of the Board at the joint meeting. With regard to the remaining topics, it was understood that the views of the Board would be stated substantially as recorded in the minutes of the joint meeting.

Reference was made to a letter from the Deputy Comptroller of the Currency dated October 3, 1955, advising that on October 6, 1955, a call would be made upon national banks for reports of condition as of the close of business the preceding day. It was reported that upon receipt of this advice the usual telegram was sent to the Federal Reserve Banks

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requesting that a similar call be made for State member bank condition reports.

The action taken in sending the telegram was ratified by unanimous vote.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 30, 1955, were approved unanimously.

The meeting then adjourned.

Secretary's Note: Pursuant to the action taken by the Board on September 20, 1955, the following letter was sent today to the Presidents of all Federal Reserve Banks, with copies to the Comptroller of the Currency, the Chairman of the Federal Deposit Insurance Corporation, the President of the National Association of Supervisors of State Banks, appropriate persons in the Department of Agriculture, and the Agricultural Commission of the American Bankers Association:

The Board of Governors has been informed that difficulty is being encountered in obtaining credit for agricultural purposes on an intermediate-term basis (as contrasted with loans on a one-season or long-term basis). It has also been asserted that the alleged reluctance of banks to make such loans is due to restrictive laws or regulations or to an unfavorable attitude on the part of bank examiners.

Intermediate-term loans are made for such purposes as the purchase of machinery and equipment, installation of irrigation or drainage facilities, construction or improvement of farm buildings, purchase of breeding livestock, soil improvement, shifting of land from cash crop to livestock production, and similar purposes, wherein the returns from the investment accrue over a period of years and the cost thereof cannot properly or feasibly be charged to a single year's operation.

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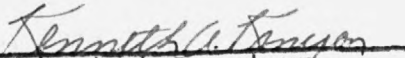
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The Board of Governors does not know whether the alleged difficulty in obtaining such credit exists on any broad scale, but it is felt that it should be made clear that any reluctance by banks to make agricultural loans on such a basis is not attributable to Federal laws or regulations or to opposition by Federal Reserve examiners. The Board wishes to state specifically that no Federal law or regulation prevents commercial banks from extending credit for agricultural purposes on an intermediate-term basis, and such loans are not to be considered as undesirable as a class.

It is desirable, of course, that the terms under which such loans are made should be set forth clearly in the instrument representing the indebtedness or in any accompanying agreement. In loans of this type it is generally advisable that the agreement should include a comprehensive plan of farm operations for the period of the loan, showing a schedule of estimated income, expense, and loan repayments, and should provide for systematic periodic reports on the operation.

Like all classes of loans, each loan of this type should be evaluated on the basis of its own characteristics--the risks involved; the character, ability, financial responsibility and record of the borrower; the feasibility and probability of its orderly liquidation in accordance with the specified terms; and other factors pertaining to the merits of the particular loan.

The Board of Governors desires that this matter be brought to the attention of all your examiners.


Assistant Secretary