

Minutes for May 27, 1957

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	<u>[Signature]</u>	X <u>[Initials]</u>
Gov. Szymczak	X <u>[Signature]</u>	<u>                    </u>
<u>1/</u> Gov. Vardaman	<u>                    </u>	X <u>                    </u>
Gov. Mills	X <u>[Signature]</u>	<u>                    </u>
Gov. Robertson	X <u>[Signature]</u>	<u>                    </u>
Gov. Balderston	X <u>CCB</u>	<u>                    </u>
Gov. Shepardson	X <u>[Signature]</u>	<u>                    </u>

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, May 27, 1957. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Messrs. Young, Garfield, Noyes, Williams,  
Koch, Dembitz, Brill, Eckert, Gehman,  
Jones, Weiner, Culbertson, Trueblood,  
Wernick, and Wood of the Division of  
Research and Statistics  
Messrs. Furth, Bangs, Katz, Sammons, Wood,  
and Reynolds of the Division of Interna-  
tional Finance

Review of economic developments. The staff of the Division of International Finance presented a review of selected international financial developments, following which the staff of the Division of Research and Statistics summarized developments in the domestic economy. The report of the Division of International Finance revealed no significant change in the international economic situation during the current month. In general, inflationary pressures remained prevalent abroad and appeared likely to continue to exert an expansionary influence on the United States economy, although perhaps less strongly than in the last six months. The domestic review indicated as a whole a continuation of the previously reported sideways movement at a high level of economic activity.

All of the members of the staff who were present except Messrs. Carpenter, Sherman, and Kenyon then withdrew from the meeting and Messrs.

5/27/57

-2-

Sloan, Director, Division of Examinations, and Hackley, General Counsel, entered the room.

Appointment of Alternate Assistant Federal Reserve Agents at Federal Reserve Bank of Boston (Item No. 1). There had been circulated to the members of the Board a proposed favorable response to a request from the Federal Reserve Agent at the Boston Reserve Bank for approval of the appointment of three members of the Bank's staff as Alternate Assistant Federal Reserve Agents.

Comments by Governor Balderston regarding the relatively low salaries of two of the persons proposed for appointment led to a discussion of the regular duties performed by these employees, their apparent qualifications for the position of Alternate Assistant Federal Reserve Agent, the nature and extent of their duties in that capacity, and the difficulties evidently experienced by the Reserve Banks in selecting appropriate personnel for appointment to the Agent's function, particularly at the branches. With regard to the proposed appointments, Governor Balderston said he had been informed by Mr. Johnson, Director of the Division of Personnel Administration, that the Boston Reserve Bank's salary scale appeared to be in conformity with the principles governing salary administration at the Federal Reserve Banks generally. Nevertheless, he continued to feel that there was some element of inconsistency in the situation, as reflected by the salaries of the proposed appointees, which might be difficult to explain if the occasion demanded.

After Governor Shepardson had expressed the view that the problems

5/27/57

-3-

encountered in connection with the staffing of the Agent's function might warrant review of the whole operation on a broad basis, Governor Robertson suggested that the appointments at Boston be approved and that the Divisions of Personnel Administration and Bank Operations be requested to check into the salary administration pattern at the Boston Bank to determine whether there were any problems to which consideration should be given.

Agreement having been expressed with Governor Robertson's suggestion, the Board approved unanimously the letter to the Federal Reserve Agent at the Federal Reserve Bank of Boston of which a copy is attached to these minutes as Item No. 1.

Items circulated to the Board. The following items, which had been circulated to the Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to the Federal Reserve Agent at Cleveland approving the appointment of G. Donald Laughlin as Federal Reserve Agent's Representative at the Pittsburgh Branch.	2
Letter to the Federal Reserve Agent at Cleveland approving the appointment of Lester C. Dieringer as Federal Reserve Agent's Representative at the Cincinnati Branch.	3
Letter to the Federal Reserve Agent at San Francisco approving the appointment of Richard G. Retallick as Alternate Assistant Federal Reserve Agent.	4
Letter to the Federal Reserve Agent at San Francisco approving the appointment of Elvin L. Baldwin as Federal Reserve Agent's Representative at the Los Angeles Branch.	5



5/27/57

-4-

Item No.

- Letter to Security Trust Company, Lexington, Kentucky, approving the establishment of a branch on Loudon Avenue. (For transmittal through the Federal Reserve Bank of Cleveland.) 6
- Letter to Progressive Bank and Trust Company, New Orleans, Louisiana, approving its application for permission to exercise limited fiduciary powers. (For transmittal through the Federal Reserve Bank of Atlanta.) 7
- Letter to the Federal Reserve Bank of Kansas City waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System for The Pleasant Hill Bank, Pleasant Hill, Missouri. 8
- Letter to The Riverview State Bank, Kansas City, Kansas, approving its application for permission to exercise fiduciary powers. (For transmittal through the Federal Reserve Bank of Kansas City.) 9
- Letter to the Presidents of all Federal Reserve Banks forwarding copies of forms for the use of State member banks and their affiliates in submitting reports as of the next call date. (With the understanding that the letters would be sent when the forms were printed.) 10
- Letter to the Chairman of the Senate Committee on Banking and Currency reporting on S. 1992, a bill to amend section 24 of the Federal Reserve Act to exempt "disaster loans" covered by Small Business Administration deferred participation agreements. (With a copy to the Bureau of the Budget.) 11

Application of Wisconsin Bankshares Corporation (Item No. 12). At the meeting on Friday, May 24, the Board gave consideration to an application submitted by Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, pursuant to the Bank Holding Company Act and decided to request additional information through the Federal Reserve Bank of Chicago before taking action with respect to the application. Copies of a draft of letter to the Reserve Bank had been distributed to the members of the Board before this meeting.

5/27/57

-5-

Agreement having been expressed with changes in the draft of letter suggested by Governor Robertson, unanimous approval was given to the letter to the Federal Reserve Bank of Chicago of which a copy is attached hereto as Item No. 12.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions regarding the Board's staff:

#### Appointments

Patricia A. Latona as Key Punch Operator in the Division of Administrative Services, with basic salary at the rate of \$2,960 per annum, effective the date she assumes her duties.

Mary Susan Kirby as Clerk-Stenographer in the Division of Personnel Administration, with basic salary at the rate of \$3,415 per annum, effective the date she assumes her duties.

Mary Catherine Tippet as Clerk-Stenographer in the Division of Personnel Administration, with basic salary at the rate of \$3,415 per annum, effective the date she assumes her duties.

#### Acceptance of resignation

Doris S. Shanks, Secretary, Division of Examinations, effective May 31, 1957.

Governor Shepardson also approved today on behalf of the Board the following letters, copies of which are attached hereto under the respective item numbers indicated:

Item No.

Letter to the operator of the barber shop located in the Federal Reserve Building concerning operations of the shop.

13

5/27/57

-6-

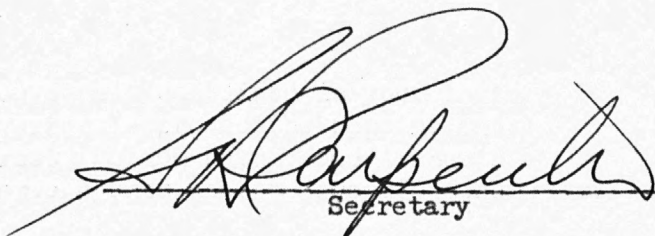
Item No.

Letter to the Federal Reserve Bank of Philadelphia approving the appointment of Anthony F. DeCesare as assistant examiner.

14

Letter to the Federal Reserve Bank of Chicago approving the designation of Roy P. Anderson, Walter C. Bloy, Albert Morris, Carl C. Welke, Harold L. Cheadle, Theodore H. Schneider, and Abner D. Goldstine as special assistant examiners.

15



Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 1

5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957



Mr. Robert C. Sprague,  
Federal Reserve Agent,  
Federal Reserve Bank of Boston,  
Boston 6, Massachusetts.

Dear Mr. Sprague:

In accordance with the request contained in your letter of April 22, 1957, the Board of Governors approves the appointments of Messrs. Bernard J. Hussey, (Forrest) Meldon Hatch, and Arthur Stetson as Alternate Assistant Federal Reserve Agents at the Federal Reserve Bank of Boston, effective May 1, 1957.

This approval is given with the understanding that Messrs. Hussey, Hatch, and Stetson will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of their duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, their responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of their duties as Alternate Assistant Federal Reserve Agents they may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with their duties as Alternate Assistant Federal Reserve Agents.

It will be appreciated if Messrs. Hussey, Hatch, and Stetson are fully informed of the importance of their responsibilities as members of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Messrs. Hussey, Hatch, and Stetson should execute the usual Oaths of Office which are to be forwarded to the Board of Governors.

It is noted from your letter that the appointments of Messrs. John F. Mooney and George E. Wells, as Alternate Assistant Federal Reserve Agents, were rescinded on April 22 because of the demands of their regular duties.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25. D. C.

Item No. 2  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957

Mr. Arthur B. Van Buskirk, Federal Reserve Agent,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Van Buskirk:

In accordance with the request contained in your letter of May 8, 1957, the Board of Governors approves the appointment of Mr. G. Donald Laughlin as a Federal Reserve Agent's Representative at the Pittsburgh Branch, to succeed Mr. W. J. Cosgrove.

This approval is given with the understanding that Mr. Laughlin will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative he may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Pittsburgh Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Laughlin is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Mr. Laughlin should execute the usual Oath of Office which is to be forwarded to the Board of Governors. Your advice with respect to the effective date of Mr. Laughlin's appointment also will be appreciated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 3  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957



Mr. Arthur B. Van Buskirk, Federal Reserve Agent,  
Federal Reserve Bank of Cleveland,  
Cleveland 1, Ohio.

Dear Mr. Van Buskirk:

In accordance with the request contained in your letter of May 8, 1957, the Board of Governors approves the appointment of Mr. Lester C. Dieringer as a Federal Reserve Agent's Representative at the Cincinnati Branch, to succeed Mr. Harry H. Ostendorf.

This approval is given with the understanding that Mr. Dieringer will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative he may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Cincinnati Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Dieringer is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Mr. Dieringer should execute the usual Oath of Office which is to be forwarded to the Board of Governors. Your advice with respect to the effective date of Mr. Dieringer's appointment also will be appreciated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 4  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957

Mr. A. H. Brawner,  
Federal Reserve Agent,  
Federal Reserve Bank of  
San Francisco,  
San Francisco 20, California.

Dear Mr. Brawner:

In accordance with the request contained in your letter of April 25, 1957, the Board of Governors approves the appointment of Mr. Richard G. Retallick as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco to succeed Mr. Dorris B. Atkins.

This approval is given with the understanding that Mr. Retallick will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

It will be appreciated if Mr. Retallick is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that with the approval of Mr. Retallick's appointment by the Board of Governors, he will execute the usual Oath of Office which will be forwarded to the Board of Governors together with advice as to the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 5  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957



AIR MAIL

Mr. A. H. Brawner, Federal Reserve Agent,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Brawner:

In accordance with the request contained in your letter of May 2, 1957, the Board of Governors approves the appointment of Mr. Elvin L. Baldwin as a Federal Reserve Agent's Representative at the Los Angeles Branch.

This approval is given with the understanding that Mr. Baldwin will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative he may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Los Angeles Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Baldwin is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

It is noted from your letter that with the approval of Mr. Baldwin's appointment by the Board of Governors, he will execute the usual Oath of Office which will be forwarded to the Board of Governors together with advice as to the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 6  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957

Board of Directors,  
Security Trust Company,  
Lexington, Kentucky.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch on Loudon Avenue at the intersection of Russell Cave Pike and North Broadway Pike, outside the city limits of Lexington, Kentucky, provided the branch is established by April 29, 1958, and the approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 7  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957



Board of Directors,  
Progressive Bank and Trust Company,  
New Orleans, Louisiana.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers, limited, however, to a specific appointment.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to Progressive Bank and Trust Company, New Orleans, Louisiana, to act as trustee, registrar, and transfer agent under a \$1,500,000 bond issue of Schwegmann Brothers Giant Supermarkets, dated June 1, 1957, due in 10 years, with the understanding that it will not accept any other fiduciary appointments without first obtaining the permission of the Board.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 8  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957



Mr. D. W. Woolley, Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Woolley:

Reference is made to your letter of May 13, 1957, enclosing a resolution adopted by the board of directors of The Pleasant Hill Bank, Pleasant Hill, Missouri, signifying its intention to withdraw from membership in the Federal Reserve System and a letter requesting waiver of the six months' notice of such withdrawal and setting forth the reasons for withdrawal.

In accordance with the bank's request, the Board of Governors waives the requirement of six months' notice of withdrawal. Therefore, upon surrender of the Federal Reserve Bank stock issued to the bank, you are authorized to cancel such stock and make appropriate refund thereon. Under the provisions of Section 10(c) of Regulation H, as amended effective September 1, 1952, the bank may accomplish termination of its membership at any time within eight months after notice of intention to withdraw is given. Please advise when cancellation is effected and refund is made.

The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

It is noted the Federal Deposit Insurance Corporation has approved the bank's application for continuance of deposit insurance following withdrawal from membership.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 9  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957



Board of Directors,  
The Riverview State Bank,  
Kansas City, Kansas.

Gentlemen:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise fiduciary powers.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to The Riverview State Bank to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Kansas.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 10  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



Dear Sir:

The indicated number of copies of the following forms are being forwarded to your Bank under separate cover for use of State member banks and their affiliates in submitting reports as of the next call date. A copy of each form is attached.

Number of  
copies

Form F.R. 105 (Call No. 144), Report of condition of State member banks.

Form F.R. 105e (Revised November 1955), Publisher's copy of report of condition of State member banks.

Form F.R. 105e-1 (Revised November 1955), Publisher's copy of report of condition of State member banks.

Form F.R. 105e-2 (Revised November 1955), Publisher's copy supplement.

Form F.R. 105fa (May 1957), Schedule FA, Supplementary data on time deposits of individuals, partnerships, and corporations and on reserve for bad debts.

Form F.R. 220 (Revised March 1952), Report of affiliate or holding company affiliate.

Form F.R. 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

With the exception of form F.R. 105fa, all of the forms are the same as those used on March 14, 1957.

- 2 -

Supplementary Schedule FA: This schedule has been added in order to obtain a breakdown of item 1 of Schedule F, time deposits of individuals, partnerships, and corporations, and obtain additional information on reserve for bad debts. Similar reports are being collected from national banks by the Comptroller of the Currency and from insured nonmember commercial banks by the Federal Deposit Insurance Corporation. It is not planned to collect this information regularly.

The breakdown of item 1 of Schedule F by type of deposit was last obtained in call reports of condition on June 30, 1945 and 1942; prior to 1942, it had been collected regularly. The purpose of this breakdown by type of deposit, and of the additional estimated breakdown of two of the sub-items according to holders, is to obtain a new bench mark for making estimates of savings deposits and of ownership of time deposits other than savings by individuals, partnerships, and corporations.

The purpose of the portion of the schedule relating to reserve for bad debt losses is to provide current information for estimating the potential effect on tax revenues and on the earnings of banks of any changes in the formula for determining allowable additions to and the maximum ceiling on these reserves.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 11  
5/27/57



OFFICE OF THE CHAIRMAN

May 27, 1957

The Honorable J. W. Fulbright,  
Chairman, Committee on  
Banking and Currency,  
United States Senate,  
Washington 25, D. C.

Dear Senator Fulbright:

This is in response to your letter of May 9, 1957, requesting a report by the Board of Governors with respect to S. 1992, a bill to amend section 24 of the Federal Reserve Act, which relates to loans by national banks on real estate security. It is proposed that "disaster loans" covered by Small Business Administration deferred participation agreements "shall not be subject to the restrictions or limitations of this section [i.e., section 24] imposed upon loans secured by real estate."

Section 24 establishes minimum standards for real estate loans by national banks and limits the aggregate amount of such loans. These provisions are designed to safeguard solvency and liquidity. If S. 1992 were enacted, a national bank would be subject to no aggregate limit on the amount of "disaster loans" secured by real estate that it could have outstanding; and such loans could be made (1) on the security of second or third mortgages, (2) without any provisions with respect to amortization, and (3) in amounts that might equal or exceed the value of the real estate security.

When a bank makes disaster loans in compliance with the requirements of its Disaster Participation Agreement with Small Business Administration, the bank is protected against loss on such loans by a commitment on the part of Small Business Administration to take over upon demand whatever percentage has been designated by the bank. That percentage can not exceed 90 per cent of loans of less than \$20,000 or 75 per cent of loans in excess of \$20,000, and it may be a smaller percentage if the bank so elects. However, the Board has been informed that in most cases Small Business Administration's deferred participation in residential disaster loans is 90 per cent.

Honorable J. W. Fulbright

- 2 -

When occasion for making disaster loans arises, the demand for such loans in a particular community or area may be very substantial, and a national bank might be under considerable pressure to make such loans with less than the usual attention to safeguards of the kinds prescribed by section 24. If such a bank elected to have only a relatively small percentage of such loans covered by Small Business Administration deferred participation, the risk exposure might be sufficient to endanger the bank's capital structure or liquidity. However, if most loans affected by the proposed amendment would be protected to the extent of 90 per cent by Small Business Administration deferred participations, the aggregate risk may not be excessive as a practical matter. The Comptroller of the Currency, who is the primary supervisor of the national banking system, has detailed information regarding its condition and operations, and accordingly the views of the Treasury Department presumably should be accorded particular weight in passing on the advisability of the proposal embodied in S. 1992.

In the interest of clarity, it is suggested that, if a provision on this subject is enacted, it should be inserted at the end of the fourth paragraph of section 24 rather than in the first paragraph of that section.

Sincerely yours,

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 12  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957.

Mr. W. R. Diercks, Vice President,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Diercks:

In connection with the consideration of the application of Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, for prior approval of the acquisition of shares of the proposed Southgate National Bank of Milwaukee, the Board of Governors requests that you ask the Corporation to furnish any additional and pertinent information it may have or be able to obtain relative to whether the need for this banking facility is such as to offset the question of further expansion in the light of the relative control of deposits by the holding company. This information should be transmitted to the Board with any findings or comments you may have to offer.

If they so desire arrangements will be made for representatives of the Corporation to present additional oral information to the Board. Your efforts to expedite this matter will be appreciated.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 13  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957

Mr. Willis M. Boling,  
1020 - 19th Street, N. W.,  
Washington 6, D. C.

Dear Mr. Boling:

In view of the fact that you have employed an additional barber the Board is hereby suspending the notice contained in the Board's letter of May 3. Although you have not as yet provided the services of a bootblack, the Board still feels that this is a service which should be provided as soon as possible and is, therefore, holding in abeyance any action with regard to this matter.

In consideration of the time required to build enough business to sustain a two-man shop and to assist you during this period, the Board has suspended payment from May 27 through August 31 of the 10% concession fee called for in your contract.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25. D. C.

Item No. 14  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957

Mr. E. C. Hill, Vice President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia 1, Pennsylvania.

Dear Mr. Hill:

In accordance with the request contained in your letter of May 21, 1957, the Board approves the appointment of Anthony F. DeCesare as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise as to the date upon which the appointment is made effective.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 15  
5/27/57

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

May 27, 1957

Mr. C. J. Scanlon, Chief Examiner,  
Federal Reserve Bank of Chicago,  
Chicago 90, Illinois.

Dear Mr. Scanlon:

In accordance with the request contained in  
your letter of May 22, 1957, the Board approves the  
designation of the following named individuals as  
special assistant examiners for the Federal Reserve Bank  
of Chicago:

Roy P. Anderson  
Walter C. Bloy  
Albert Morris  
Carl C. Welke

Harold L. Cheadle  
Theodore H. Schneider  
Abner D. Goldstine

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Assistant Secretary.

