

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 proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 6 Reduction in discount rate at the Federal Reserve Banks of Philadelphia, Minneapolis, and Kansas City

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	x <u>[Signature]</u>	_____
Gov. Szymczak	x _____	_____
Gov. Vardaman	x <u>(V)</u>	_____
Gov. Mills	_____	x <u>[Signature]</u>
Gov. Robertson	x _____	_____
Gov. Balderston	<u>CCB</u>	_____
Gov. Shepardson	_____	x <u>[Signature]</u>

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, November 22, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Szymczak
 Mr. Vardaman
 Mr. Robertson

Mr. Carpenter, Secretary
 Mr. Fauver, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Leonard, Director, Division of Bank Operations
 Mr. Young, Director, Division of Research and Statistics
 Mr. Marget, Director, Division of International Finance
 Mr. Hackley, General Counsel
 Mr. Masters, Director, Division of Examinations
 Mr. Noyes, Adviser, Division of Research and Statistics
 Mr. O'Connell, Assistant General Counsel
 Mr. Molony, Special Assistant to the Board

Items circulated to the Board. The following items, which had been circulated to the members of 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 Bank of Richmond, regarding the relocation of the in-town branch of Peninsula Bank and Trust Company, Williamsburg, Virginia, to a new branch building to be constructed approximately 200 yards from the present location.	1
Letter to the Federal Reserve Bank of Atlanta, granting permission to Florida Northside Bank of Jacksonville, Jacksonville, Florida, to maintain the same reserves against deposits as are required to be maintained by banks outside of central reserve and reserve cities.	2

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Chicago, extending the time within which the Bank of Dearborn, Dearborn, Michigan, may establish a branch at 22100 Outer Drive.	3
Letter to The First National City Bank of New York, New York, N. Y., approving the relocation of a branch from 57 East McKinley Street, Mayaguez, Puerto Rico, to larger quarters at 3 Del Rio Street. (For transmittal through the Federal Reserve Bank of New York)	4
Letter to Congressman Patman in response to his letter of November 13, regarding the amount of reduction in the required reserves of member banks if required reserves on demand deposits were reduced from their present rates to 10 per cent. (With a copy to the Chairman of the Committee on Banking and Currency, House of Representatives)	5

Prior to approval of the last item in the above list, there was a brief discussion of the content of the last paragraph of the letter and minor editing changes were agreed upon which are reflected in the attached copy of Item No. 5.

Account for Curacaosche Bank at Federal Reserve Bank of New York (Item No. 6). Prior to the meeting there had been distributed a memorandum dated November 20, 1957, from Mr. Marget recommending that the Board authorize the Federal Reserve Bank of New York to open an account for the Curacaosche Bank in Willemstad on the island of Curacao in the Netherlands Antilles. The Curacaosche bank had requested the opening of account in a letter to the Federal Reserve Bank of

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New York dated November 11, 1957, and the directors of the Federal Reserve Bank of New York had authorized the opening of an account for this bank on November 21, subject to approval by the Board. The bank has maintained a gold custody account since September 5, 1940, and in the opinion of the Federal Reserve Bank of New York and the Division of International Finance qualified as a central banking institution.

After brief discussion, the Board unanimously approved the opening and maintenance of an account for Curacaosche Bank by the Federal Reserve Bank of New York. A copy of the wire advising of the approval is attached as Item No. 6.

Mr. Marget then withdrew from the meeting.

Reply to the September 19, 1957, request of Congressman Albert Rains (Item No. 7). Prior to the meeting, there had been distributed to the members of the Board a proposed draft of reply to the request of Congressman Albert Rains dated September 19, 1957, for information on second mortgage and similar financing on new houses. The reply was based on information available to the Board's staff and that received from the Federal Reserve Banks.

Governor Robertson raised a question whether the Board's response was in any way contrary to the views reported in the press this morning expressed by Administrator Cole of the Federal Housing Administration, who had expressed concern over developments in second mortgage financing. Mr. Riefler responded that the content of the Board's reply was based

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largely on the information from the Federal Reserve Banks and it would not express the Board's views regarding the pros and cons of this type of financing.

Thereupon, the Board approved the substance of the draft which had been distributed and authorized Mr. Young to incorporate minor technical revisions before the letter was sent. A copy of the final reply is attached as Item No. 7.

Discount rates. A telegram to the Federal Reserve Bank of New York approving the establishment without change by that Bank on November 21, 1957, of the rates on discount and advances in its existing schedule, was approved unanimously.

Applications of the First National City Bank and others. The Secretary then referred to the approval by the Board on October 18, 1957, of the request of the First National City Bank of New York and others for oral arguments in the Report and Recommended Decision of the Hearing Examiner filed with the Board on October 3, 1957. He pointed out that counsel for the New York State Banking Department had been granted an extension of time to and including November 21, 1957, within which to file a reply brief; that such brief had not been received by the Board as of the close of business yesterday, but the Board had been advised by the New York Banking Department that its brief was in the mail and would in all likelihood be received today. The Board authorized acceptance of the reply brief of the New York Department when it was received,

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thereby granting special permission for filing the brief after the date originally fixed. It was noted that copies of the reply brief had been supplied by the New York Department to the applicants on November 21.

Secretary's Note: In accordance with the foregoing action, a letter attached as Item No. 8, was sent to the State of New York Banking Department today. Similar advice was sent to Shearman & Sterling & Wright, New York City; White & Case, New York City; and to the Federal Reserve Bank of New York.

In response to a request, Mr. Hackley touched upon alternative procedures available to the Board after the public hearing had been held on Tuesday, November 26, 1957. He indicated that the Legal Division hoped to submit to the Board as soon as possible after the hearing a memorandum of its views on the legal question raised by the hearing officer's report as to the effect of the New York "freeze" statute on action by the Board in disposing of this matter. If the Board should conclude that the New York statute precluded any action by it, this would of course dispose of the matter. On the other hand, if the Board should conclude that the New York statute was not a bar to its consideration of this case, the Board might either remand the entire matter to the hearing officer for a report on the merits or it might simply ask the staff to consider the case on the merits and submit a recommendation on the action to be taken without remanding it to the hearing officer.

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Governor Vardaman inquired whether, if the matter was not remanded to the hearing officer, there would be any information upon which the Board would make its decision other than that contained in the record of the case including the transcript of the hearings. Mr. Hackley replied that there would be nothing available except that contained in the record of the case. He felt sure that the Board would expect both the Legal Division and the Division of Examinations to review the record of the case, to prepare a summary of the record for the Board's consideration, and to provide the Board with the staff's own recommendations as to the disposition of the case.

Chairman Martin stated that while he did not wish to set any specific target date for the completion of the Board's consideration of this matter, he hoped that the Board and staff would make every effort to reach a decision as soon as possible after the oral arguments had been held.

Thereupon the meeting adjourned.

Secretary's Notes: The Federal Reserve Banks of Philadelphia, Minneapolis, and Kansas City advised on November 21, 1957, that their directors at meetings on that date had established, effective November 22, 1957, subject to review and determination by the Board of Governors, a rate of 3 per cent on discounts for and advances to member banks under sections 13 and 13a; a rate of 3-1/2 per cent on advances to member banks under section 10(b); and a rate

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

Item No. 1
11/22/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1957



Mr. N. L. Armistead, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Armistead:

Reference is made to your letter of November 13, 1957, with regard to the request of Peninsula Bank and Trust Company, Williamsburg, Virginia, for permission to move its in-town branch at 1232 Richmond Road, which is at the southern end of the Richmond Road Shopping Center, to a new branch building to be constructed at the northern end of the Richmond Road Shopping Center, a distance of approximately 200 yards.

The Peninsula Bank and Trust Company and its branch are the only commercial banking facilities in Williamsburg, and it would appear that the proposal constitutes a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served, and therefore, we concur in your view that the approval of the Board of Governors is not necessary.

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
11/22/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1957



Mr. J. E. Denmark, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta 3, Georgia.

Dear Mr. Denmark:

The Board of Governors of the Federal Reserve System has considered the recommendation of the Executive Committee of your Bank contained in your letter of November 8, 1957, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to Florida Northside Bank of Jacksonville, Jacksonville, Florida, to maintain the same reserves against deposits as are required to be maintained by banks 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 attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System.

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
11/22/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1957



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

Dear Mr. Diercks:

Reference is made to your letter of November 15, 1957, submitting the request of the Bank of Dearborn, Dearborn, Michigan, for an extension of time within which to establish a branch at 22100 Outer Drive, Dearborn, Michigan, owing to delays encountered in starting the branch building program.

After consideration of the information submitted and your favorable recommendation, the Board extends to June 2, 1958, the time within which the establishment of the branch, which was approved in the Board's letter of February 21, 1957, may be accomplished.

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
11/22/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1957



Mr. F. T. Mitchell,
Vice President & Manager, Overseas Division,
The First National City Bank of New York,
55 Wall Street,
New York 15, New York.

Dear Mr. Mitchell:

In accordance with the request contained in your letter of November 7, 1957, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors approves the removal of your branch at 57 East McKinley Street, Mayaguez, Puerto Rico, to larger quarters at 3 Del Rio Street, at the corner of Del Rio and McKinley Streets, Mayaguez, a distance of approximately one-half block from the present location.

It is noted from the copy of a letter dated October 15, 1957, from Secretary of the Treasury Pico that he has no objections to the proposed change of location.

Please advise the Board of Governors in writing, through the Federal Reserve Bank of New York, when the branch is moved to the new quarters. It is understood, of course, that the location approved will not be changed without the prior approval of the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 5
11/22/57

OFFICE OF THE CHAIRMAN

November 22, 1957

The Honorable Wright Patman,
House of Representatives,
Washington, D. C.

Dear Mr. Patman:

In response to your letter of November 13, I have had an estimate prepared of the amount of reduction in the required reserves of member banks if required reserves on demand deposits were reduced from their present rates to 10 per cent.

This estimate, amounting to \$6,345 million, is based on final figures for the first half of October 1957, and it assumes no change in the present 5 per cent requirement on time deposits. The reduction by class of bank would be as follows:

	Net demand deposits*	Present rate (per cent)	Present required reserves on net demand deposits	Required reserves at 10 per cent	Reduc- tion
(Dollar amounts in millions)					
Central reserve city banks:					
New York	20,341	20	4,068	2,034	2,034
Chicago	5,263	20	1,053	526	527
Reserve city banks	38,320	18	6,898	3,832	3,066
Country banks	<u>35,919</u>	12	<u>4,310</u>	<u>3,592</u>	<u>718</u>
All member banks	99,843		16,329	9,984	6,345

*Demand deposits subject to reserve requirements, i.e., gross demand deposits minus cash items reported as in process of collection and demand balances due from domestic banks.

If required reserves against demand deposits were reduced to 10 per cent, the amount of required reserves so released (\$6,345 million) would permit at that level of required reserves a potential increase in loans and investments of member banks of up to ten times that amount, or \$63 billion. At the end of September 1957, loans and investments of member banks totaled \$139 billion.

Sincerely yours,

Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

T E L E G R A M
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTONItem No. 6
11/22/57

November 22, 1957

EXTER - NEW YORK

Your wires November 20 and 21. Board approves the opening and maintenance of an account on your books in the name of the Curacaosche Bank, subject to the usual terms and conditions upon which your Bank maintains accounts for foreign central banks and governments.

It is understood that you will in due course offer participation in this account to other Federal Reserve Banks.

(Signed) S. R. Carpenter

CARPENTER



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
11/22/57

OFFICE OF THE CHAIRMAN

November 25, 1957

The Honorable Albert Rains,
House of Representatives,
Washington 25, D. C.

Dear Mr. Rains:

In response to your request of September 19, 1957, for information on the extent of second mortgage and similar financing of new houses, we have canvassed the information available to us in Washington, and have asked the Federal Reserve Banks for such information as they could conveniently assemble on the subject.

As you know, there is little useful statistical information on second mortgage financing. On the basis of trade reports and impressions derived from day-to-day analysis of developments, the Board's staff has the feeling that during the past two years second mortgage financing has increased, particularly in areas of the country that ordinarily rely on the large Eastern financial centers for an appreciable part of their mortgage funds.

Reports from Federal Reserve Banks vary widely on the prevalence of use of second mortgages and of land contracts, which often serve the same purpose, in the sale of new houses. Little knowledge of any significant use of second mortgages is reported in the Boston District; the practice is not of consequence and is not increasing to any appreciable extent in the Philadelphia District; and instances of second mortgage financing have come to attention only on very rare occasions in the Cleveland District. The Federal Reserve Bank of Richmond reports that second mortgage financing is not general in the District, but second mortgages are being taken by sellers of old houses more frequently now than at the beginning of the year; in the Washington area there appears to be some increase in the use of second mortgages by purchasers of property for resale and in the sale of old houses. In the Chicago District, second mortgage financing is used little, but around Detroit land contracts have been common for many years and recently have been used with increasing frequency.

The Honorable Albert Rains

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In the New York area some small increase in second mortgage financing is reported for local transactions, but the main flow of second mortgage funds is to out-of-state areas, largely in the South. The Federal Reserve Bank of Atlanta reports that Miami, Florida, appears to be the principal exception to the statement that there is little second mortgage financing of new properties in the District; there is some evidence of an increase in second mortgages taken back by sellers of old houses.

In the Minneapolis, St. Louis, Kansas City, and Dallas Districts the use of second mortgage financing or land contracts is reported to be common or to have increased recently. The Federal Reserve Bank of San Francisco reports that second mortgages appear to be used extensively by builders in the Los Angeles area; in the San Francisco area, second mortgages are used occasionally in selling the last few houses in a development. The Bank also reports that land contracts appear to be used to some extent in Utah and the Pacific Northwest, but not in California.

The techniques used in second mortgage and land contract financing also vary widely, influenced apparently by legal differences among jurisdictions as well as by factors such as experience and sources of funds. The Federal Reserve Bank of Kansas City, for example, reports that Missouri law discourages the use of the contract for deed whereas the law of Kansas makes it practical; and the Federal Reserve Bank of Dallas reports that the use of second mortgages is more common in and near the large cities than elsewhere because of the availability of funds and the ease of inspection. The Dallas Bank also found the opinion expressed that second mortgages may be beneficial since the local holder of the second lien keeps an eye on the state of the property.

Where second mortgages are prevalent there appear to be secondary markets in which the junior liens are bought at discounts of from 20 to 50 per cent, depending on various elements in the transaction and terms of the lien. Builders and sellers of old houses have recourse to these markets to different degrees depending on their own situations. There is no evidence reported that these secondary markets are financed by borrowing from financial institutions.

The Honorable Albert Rains

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A modification of customary mortgage financing procedures which is not second mortgage financing was reported from a number of places. This was the use by savings and loan associations of pledged share accounts of builders as additional security for mortgage loans of high ratio to selling price. Under this arrangement the builders would be able to redeem the pledged shares only after the mortgagor had met certain conditions of his mortgage contract, such as repaying a predetermined portion of his mortgage.

We hope this information will be of help to you.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

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

Item No. 8
11/22/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1957



REGISTERED MAIL
RETURN RECEIPT REQUESTED

Lawrence U. Costiglio, Esq.,
State of New York Banking Department,
270 Broadway,
New York 7, New York.

Re: In the Matter of Applications of
First New York Corporation et al.,
Pursuant to the Bank Holding Company
Act of 1956, Docket Nos. BHC-1, BHC-2
and BHC-3.

Dear Mr. Costiglio:

Reference is made to the reply brief of the State of New York Banking Department, ordered to be filed in the above-entitled proceeding, before the close of business on November 21, 1957.

Inasmuch as this reply brief was not filed before the time fixed, special permission of the Board has been given, pursuant to Rule VIII(c) of the Board's Rules of Practice for Formal Hearings, for its receipt before the close of business on November 22, 1957.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.

T E L E G R A M
LEASED WIRE SERVICEItem No. 9
11/22/57BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

November 21, 1957

Hall - Kansas City

Reurtel today. Board approved, effective November 22, for your Bank (a) rate of 3 per cent on discounts for and advances to member banks under Sections 13 and 13a, (b) other rates as set forth in your telegram of today, and (c) establishment by your Bank without change of remaining rates in Bank's existing schedule.

(Signed) S. R. Carpenter

CARPENTER

T E L E G R A M
LEASED WIRE SERVICEItem No. 10
11/22/57BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

November 21, 1957

Godwin - Philadelphia
Strothman - Minneapolis

Reurtel today. Board approved, effective November 22, for your Bank (a) rate of 3 per cent on discounts for and advances to member banks under Sections 13 and 13a, (b) other rate as set forth in your telegram of today, and (c) establishment by your Bank without change of remaining rates in Bank's existing schedule.

(Signed) S. R. Carpenter

CARPENTER

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

Item No. 11
11/22/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1957



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

Dear Mr. Diercks:

In accordance with the request contained in your letter of November 15, 1957, the Board approves the designation of Walter E. Ollech as a special assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the designation 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.

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Item No. 12
11/22/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 22, 1957

Mr. Geo. E. Kroner, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

Dear Mr. Kroner:

In accordance with the request contained in your letter of November 14, 1957, the Board approves the appointment of Fred M. Melton, Jr., as an assistant examiner for the Federal Reserve Bank of St. Louis.

Please advise the Board if the appointment is not made effective January 1, 1958 as planned.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.