

Minutes for March 24, 1958

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	<input checked="" type="checkbox"/> <u>M</u>	_____
Gov. Szymczak	<input checked="" type="checkbox"/> <u>MSS</u>	_____
Gov. Vardaman	<input checked="" type="checkbox"/> <u>V</u>	_____
Gov. Mills	<input checked="" type="checkbox"/> _____	_____
Gov. Robertson	<input checked="" type="checkbox"/> <u>R</u>	_____
Gov. Balderston	<input checked="" type="checkbox"/> <u>CCB</u>	_____
Gov. Shepardson	<input checked="" type="checkbox"/> <u>SS</u>	_____

Minutes of the Board of Governors of the Federal Reserve System  
on Monday, March 24, 1958. 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. Mills  
Mr. Robertson  
Mr. Shepardson

Mr. Carpenter, 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. Leonard, Director, Division of Bank Operations  
Mr. Young, Director, Division of Research and  
Statistics  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Hackley, General Counsel  
Mr. Shay, Legislative Counsel  
Mr. Noyes, Adviser, Division of Research and  
Statistics  
Mr. Hexter, Assistant General Counsel  
Mr. Nelson, Assistant Director, Division of  
Examinations  
Mr. Young, Assistant Counsel  
Mr. Wood, Economist, Division of Research and  
Statistics

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 Security Trust Company of Rochester, Rochester, New York, approving the establishment of a branch in Monroe County. (For transmittal through the Federal Reserve Bank of New York)	1

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Item No.

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| Letter to the Peoples Union Bank and Trust Company, McKeesport, Pennsylvania, approving the establishment of a branch in Vandergrift, Pennsylvania, incident to its absorption of the Vandergrift Savings and Trust Company. (For transmittal through the Federal Reserve Bank of Cleveland) | 2     |
| Letter to Wyandotte Savings Bank, Wyandotte, Michigan, approving the establishment of a branch in Dearborn Township. (For transmittal through the Federal Reserve Bank of Chicago)   | 3     |
| Letter to the Federal Reserve Bank of Chicago granting an extension of time to the Fidelity Bank & Trust Company, Indianapolis, Indiana, to establish a branch in Marion County, Indiana.  | 4     |
| Letters to the Federal Reserve Banks of Dallas and San Francisco expressing the opinion that national banks in Texas and Oregon may not operate mortgage investment funds pursuant to section 17(d) of Regulation F.   | 5 & 6 |
| Letter to the Federal Reserve Bank of Dallas waiving six months' notice of withdrawal from membership in the Federal Reserve System for The First State Bank, Gladewater, Texas.   | 7     |
| Letter to the Federal Reserve Bank of Kansas City approving adjusted employees' salary structures for that Bank and its branches.  | 8     |
| Telegram to the Federal Reserve Bank of Dallas authorizing a call for bids for an addition to, and alterations of, the head office building.   | 9     |

Messrs. Leonard and Johnson then withdrew from the meeting.

Report on S. 3447 and S. 3497 (Item No. 10). Pursuant to the understanding at the meeting on Friday, March 21, there had been distributed to the members of the Board a revised draft of letter to the Chairman of the Senate Banking and Currency Committee reporting on bill

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S. 3447, known as the Area Economic Redevelopment Act, and bill S. 3497, known as the Community Facilities Act of 1958.

Certain suggestions for minor changes in the revised draft were made following which unanimous approval was given to a letter in the form attached as Item No. 10, with the understanding that a copy would be sent to the Bureau of the Budget.

During the foregoing discussion Mr. Molony, Special Assistant to the Board, entered the room and at its conclusion Messrs. Nelson, Walter Young, and Wood withdrew.

Comments on S. 3083 (Item No. 11). There had been circulated to the members of the Board a draft of letter to the Bureau of the Budget in response to its request for the Board's views with respect to S. 3083, a bill which would amend section 24 of the Federal Reserve Act in respect to loans made by national banks when the collateral offered represents liens on grazing lands.

Following a brief discussion, the letter was approved unanimously in the form submitted. A copy of the approved letter is attached as Item No. 11.

In this connection it was noted that a request had been received several weeks ago from the Senate Banking and Currency Committee for a report on this bill but that Mr. Shay had been advised informally by the Clerk of the Committee that the request might be regarded as routine and a report not made in the absence of further developments. Accordingly,



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it was understood that if a further request should be received from the Committee, a letter similar to that being sent to the Budget Bureau would be transmitted to the Committee.

Messrs. Shay, Noyes, and Hexter then withdrew from the meeting.

Record of Board policy actions for 1957. There had been submitted to the Board, with a memorandum from Mr. Carpenter dated March 19, 1958, copies of a draft of the record covering policy actions taken by the Board in 1957, with the understanding that when in a form approved by the Board, the record would be incorporated in the Annual Report for 1957 pursuant to the requirement contained in the last paragraph of section 10 of the Federal Reserve Act.

The Secretary reported certain editorial and technical changes in the respective entries which had been suggested by members of the Board and the staff following distribution of the memorandum, after which other suggestions of a similar character were made.

Certain questions were raised regarding the content of the policy record in the light of the statutory requirement and the practices followed by the Board in the past under that requirement. It was suggested that the record might be expanded to include an appropriately phrased prefatory paragraph to indicate that during the year the Board had taken numerous actions constituting reaffirmation of existing policy, interpretations of statutes or the Board's regulations, and System operating procedures. This suggestion contemplated that certain illustrations of these types

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of actions might be set forth in such a prefatory note including, for example, the designation of Puerto Rico and the Virgin Islands during 1957 as being in or of the Second Federal Reserve District for purposes of the Board's Regulations G and J. However, the comment was made that at this time it might be desirable to follow the procedures agreed upon by the Board in past years with regard to the form and content of the policy record.

Question was also raised by Governor Vardaman regarding the procedures followed with respect to the explanation of the reasons for dissenting votes on policy actions taken by the Board. There was a discussion of this point but no change was made in the understanding that explanations of a negative vote would be put in the policy record in the form desired by the member of the Board casting such vote.

Governor Vardaman also suggested that it would be desirable to have the entries for the policy record submitted to the Board for consideration promptly after the respective policy actions are taken. He expressed the view that such a procedure would tend to eliminate the element of hindsight from inadvertently creeping into the preparation of the policy record and that the entries, therefore, would tend to reflect more precisely the reasons for which the Board took any particular policy action.

There being agreement with the procedural suggestion made by Governor Vardaman, it was understood that, effective immediately, a

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draft of entry covering each policy action would be prepared and submitted to the Board for consideration as soon as possible after the date on which the policy action is taken.

Thereupon, the record of policy actions for 1957, revised to comply with the suggestions for textual changes agreed upon at this meeting, was approved unanimously for inclusion in the Board's Annual Report for 1957.

Memorandum on reserve requirements submitted on behalf of New York Clearing House Association. Chairman Martin referred to a letter from the President of the Federal Reserve Bank of New York dated March 20, 1958, with which Mr. Hayes transmitted a letter from Mr. Howard Sheperd, President of the New York Clearing House Association, dated March 19, 1958, submitting a memorandum entitled "Memorandum on Reserve Requirements Submitted on Behalf of the New York Clearing House Association to the Federal Reserve Bank of New York - March 19, 1958." Copies of the letter from Mr. Hayes and its enclosures had been distributed to the members of the Board.

At the request of the Chairman there was a brief informal discussion of the points of view expressed in the memorandum from the Clearing House Association and it was understood that the document would be studied further by the members of the Board in relation to the decision reached by the Board on March 18, 1958, with respect to reserve requirement legislation, as well as from the standpoint of the question of

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equalizing reserve requirements for banks in central reserve cities and those in reserve cities.

Salaries for officers of Dallas Reserve Bank (Item No. 12).

As recommended in a memorandum from the Division of Personnel Administration dated March 18, 1958, which had been circulated to the members of the Board, unanimous approval was given to a letter to the Federal Reserve Bank of Dallas approving the payment of salaries to Mr. Murff as Vice President and Mr. Lang as General Auditor, effective July 1, 1958, at the respective rates fixed by the Board of Directors. A copy of the letter is attached as Item No. 12.

The meeting then adjourned.

Secretary's Note: Pursuant to a recommendation contained in a memorandum from Mr. Young, Director, Division of Research and Statistics, dated March 18, 1958, Governor Shepardson today approved on behalf of the Board acceptance of the resignation of Alfred P. Johnson, Economist in that Division, effective March 27, 1958.

  
Secretary



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

Item No. 1  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958



Board of Directors,  
Security Trust Company of Rochester,  
Rochester, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Westgate Plaza Shopping Center, Town of Gates, Monroe County, New York, by the Security Trust Company of Rochester, provided the branch is established within one year from the date of this letter, and approval of the State authorities is effective as of the date the branch is established.

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. 2  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958



Board of Directors,  
Peoples Union Bank and Trust Company,  
McKeesport, Pennsylvania.

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 at 100 Grant Avenue, Vandergrift, Pennsylvania, by Peoples Union Bank and Trust Company, McKeesport, Pennsylvania, incident to its absorption by purchase of assets of Vandergrift Savings and Trust Company, Vandergrift, Pennsylvania, provided (1) the proposed absorption is effected substantially in accordance with the agreement between the parties dated February 21, 1958, (2) no securities or stocks are acquired from Vandergrift Savings and Trust Company which are ineligible for purchase by a member bank, (3) investment securities and banking house acquired from the Vandergrift Savings and Trust Company are not placed upon the books of the Peoples Union Bank and Trust Company in amounts in excess of the market value and the depreciated value for Federal income tax purposes, respectively, and (4) the branch is established within six months from the date of this letter.

It is understood that the capital structure of the Peoples Union Bank and Trust Company will be increased by not less than \$1,200,000 through the sale of additional common stock at the time of absorption of the Vandergrift Savings and Trust Company.

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. 3  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958



Board of Directors,  
Wyandotte Savings Bank,  
Wyandotte, Michigan.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the Wyandotte Savings Bank adjoining 22840 Van Born Road, Dearborn Township, Wayne County, Michigan, provided the branch is established within six months from the date of this letter, and approval of the State authorities is effective as of the date the branch is established.

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. 4  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958

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

Dear Mr. Diercks:

Reference is made to your letter of March 12, 1958, submitting the request of the Fidelity Bank & Trust Company, Indianapolis, Indiana, for an extension of time within which to establish a branch on Shelby Street at Hanna Avenue, Perry Township, Marion County, Indiana, owing to delays encountered in completing construction of the branch building, attributable principally to unfavorable weather conditions.

In view of the circumstances, the Board concurs in your favorable recommendation and extends to September 19, 1958, the time within which the bank may establish the branch, as originally approved in the Board's letter of September 19, 1957, provided approval of the State authorities is effective as of the date the branch is established.

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. 5  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958



Mr. L. G. Pondrom, Vice President,  
Federal Reserve Bank of Dallas,  
Dallas 2, Texas.

Dear Mr. Pondrom:

This is in further reference to your letter of December 16, 1957, addressed to Mr. Masters, requesting the Board's opinion as to whether a national bank in the State of Texas may invest trust funds in a so-called "mortgage investment fund" established pursuant to section 17(d) of Regulation F.

Section 17(a) of the regulation provides that trust funds of a national bank may be invested collectively in a common trust fund whenever the laws of the State authorize or permit such investments by State banks or trust companies, but trust funds shall not be invested in a mortgage investment fund "unless such investments are specifically authorized by the State statutes". The Texas statute (Vernon's Civil Statutes, Art. 7425b--48) authorizes a bank or trust company to establish a common trust fund and to invest trust funds in such fund if the investment is not prohibited by the instrument, judgment, decree or order creating the fiduciary relationship. This is a law of the State authorizing or permitting the investment of trust funds in a common trust fund, but it is not a State statute specifically authorizing the investment of trust funds in a mortgage investment fund. Therefore, the Board concurs in the opinion of your counsel that a national bank in the State of Texas may not establish (and therefore may not invest trust funds in) a "mortgage investment fund".

There is enclosed for your information a copy of a letter which the Board has sent to the Federal Reserve Bank of San Francisco with respect to the operation of mortgage investment funds by national banks in Oregon.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Enclosure



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

Item No. 6  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958



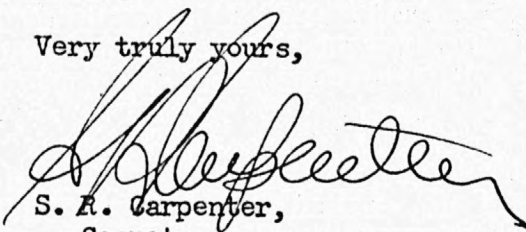
Mr. E. R. Millard, Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco 20, California.

Dear Mr. Millard:

With further reference to the question of whether a national bank in Texas may operate a "mortgage investment fund" pursuant to section 17(d) of Regulation F, there is enclosed a copy of the Board's letter of this date, addressed to the Federal Reserve Bank of Dallas, containing the Board's answer to this question.

As the statutes of Oregon and Texas are quite similar, the Board is also of the opinion that national banks in Oregon may not operate mortgage investment funds. It is requested that you communicate the Board's views on this subject to Pioneer Trust Company, Salem, Oregon, and suggest to the trust company the advisability of re-examining the Federal tax status of its mortgage investment fund.

Very truly yours,

  
S. R. Carpenter,  
Secretary.

Enclosure



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

Item No. 7  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958

Mr. L. G. Pondrom, Vice President,  
Federal Reserve Bank of Dallas,  
Dallas 2, Texas.

Dear Mr. Pondrom:

Reference is made to your letter of March 13, 1958, enclosing a copy of a resolution adopted by the board of directors of The First State Bank, Gladewater, Texas, signifying its intention to withdraw from membership in the Federal Reserve System and requesting a waiver of the six months' notice of such withdrawal.

In accordance with the bank's request, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, 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 provision 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 our understanding that the bank has filed a formal application with the Federal Deposit Insurance Corporation for continuance of deposit insurance after withdrawal from membership.

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. 8  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958

CONFIDENTIAL (FR)

Mr. Henry O. Koppang, First Vice President,  
Federal Reserve Bank of Kansas City,  
Kansas City 6, Missouri.

Dear Mr. Koppang:

In accordance with your letter of March 7, 1958, the Board of Governors approves the following minimum and maximum salaries for the respective grades at the Federal Reserve Bank of Kansas City, including branches, effective March 1, 1958:

Head Office and Denver Branch

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$2,100	\$2,820
2	2,340	3,120
3	2,580	3,480
4	2,880	3,840
5	3,180	4,260
6	3,540	4,740
7	3,900	5,280
8	4,320	5,820
9	4,800	6,480
10	5,340	7,200
11	5,940	7,980
12	6,540	8,820
13	7,260	9,780
14	8,040	10,860
15	8,940	12,060
16	9,960	13,440

Mr. Koppang.

Oklahoma City and Omaha Branches

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$2,100	\$2,820
2	2,280	3,060
3	2,520	3,420
4	2,820	3,780
5	3,120	4,200
6	3,420	4,620
7	3,780	5,100
8	4,200	5,640
9	4,620	6,240
10	5,100	6,900
11	5,640	7,620
12	6,240	8,400
13	6,900	9,300
14	7,680	10,320
15	8,520	11,460
16	9,420	12,720

The Board understands that these adjustments in structure will not result in salary expenditures in excess of funds provided for in the Reserve Bank's 1958 budget.

The Board approves the payment of salaries to employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is understood that all employees whose salaries are below the minimum of their grades as a result of the structure increase will be brought within the appropriate range as soon as practicable and not later than June 1, 1958.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.

Item No. 9  
3/24/58

TELEGRAM  
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

March 24, 1958

Irons - Dallas

Re your letter of March 14, 1958, the Board authorizes the Bank to call for bids for construction of an addition to, and alterations of, your Head Office building on the basis of final plans and specifications referred to in your letter of July 25, 1957.

In accordance with customary procedure, a summary report of bids should be forwarded to Board, together with recommendations of Bank as to acceptance.

(Signed) S. R. Carpenter

Carpenter.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 10  
3/24/58

OFFICE OF THE CHAIRMAN

March 24, 1958.

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

Dear Senator Fulbright:

In accordance with your requests of March 13 and March 19, the Board of Governors of the Federal Reserve System is submitting this report on two bills with which your Committee is presently concerned.

Under S. 3447--The Area Economic Redevelopment Act--public and private organizations in "industrial redevelopment areas" and "rural redevelopment areas" would be eligible for several types of Federal assistance administered by the Secretary of Commerce. Major among these are: loans and participations to private and public agencies to the extent of \$150 million; loans to public agencies to the extent of \$100 million; grants to public agencies to the extent of \$50 million; technical assistance and information to the areas; help to businesses in the areas in obtaining contracts for Federal procurement; special eligibility of municipalities in the areas for urban renewal; and vocational training and subsistence payments during industrial retraining to workers in the areas.

This bill is directed to an important social and economic problem, and its coverage is broad. The Secretary is given considerable discretion to designate industrial and rural redevelopment areas; but he is required to designate areas in which stipulated percentages of unemployment have continued for specified periods. The projects for which loans and grants may be made are described very generally, and appear to include any improvement to real estate that would ordinarily be thought of as public works or construction for business purposes.

The Board of Governors is aware that there is a multitude of factors that may contribute to the economic decline of particular areas, to the obsolescence of particular personal skills, or to shifts in the relative advantages of location for specific industries. Prescription of remedies for particular situations developing from these causes is extremely complex, and one of the difficult administrative problems will



The Honorable  
J. W. Fulbright

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be to judge what kinds of assistance to depressed areas are likely to improve the national economy at large and which are likely merely to shift the burden to other areas--a distinction the bill wisely recognizes. Such problems and the difficulty of assembling the technical skills required for administration dictate that any new program of this sort should be held initially to modest proportions until experience in administration of the Act has been gained.

While this bill is directed to providing assistance for areas distressed because of broad structural changes in the economy, during a recession the criteria of distress could also conceivably make the assistance of this measure available to a large number of communities not contemplated in the basic purposes of this bill. As we understand this measure, it is not designed to deal with general recession, which should be handled in other ways. Some modification of the criteria of distress would therefore appear to be called for.

S. 3497--the "Community Facilities Act of 1958"--would considerably enlarge the scope of the program now carried on by the Community Facilities Administration under authority of the Housing Amendments of 1955. The existing program is confined to providing loans to communities of under 10,000 population for planning and executing the provision of "basic public works"--principally water, sewage, and gas systems. The bill would make loans available to any community and appears to extend the scope to include financing of anything ordinarily thought of as local public works. Loans would continue to be available only to public bodies and agencies. The revolving fund available for loans would be increased from \$100 million to \$2 billion, advanced by the Secretary of the Treasury.

To the extent that a bill along these lines would direct economic resources now unemployed or underemployed to the provision of needed public facilities that would not otherwise be built, enactment might be constructive. On the question whether such additional projects are ready to be built, or can quickly be brought to that stage, the Board would have no judgment.

To avoid creating commitments running far into the future, the Board feels that the loan fund should not be a revolving fund, but should be limited to financing useful public facilities that promise to provide employment in the immediate future, i.e., during the present recession.

The bill as drafted provides for a lending rate low enough to "encourage and promote essential public works and public facilities." The Board appreciates that the purpose of these provisions is to get needed public works going quickly. It doubts, however, whether a subsidized interest rate is an appropriate vehicle to this end. The obligations of States and municipalities enjoy tax exemptions. The great bulk of these, as a consequence, benefit in any case from relatively low

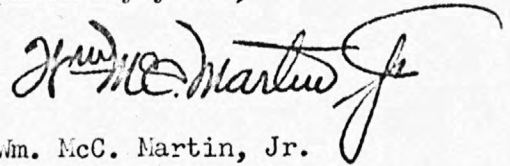
The Honorable  
J. W. Fulbright

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interest rates. Under these circumstances, one effect of the bill as now drawn might be merely to divert State and municipal borrowing from the direct private market to the Community Facilities Administration. This would apply even to cities that presently have no difficulty financing themselves on reasonable terms. Direct municipal borrowing to finance public works has been very heavy for some time and seems likely in the absence of this legislation to continue heavy. Federal lending to municipalities at the rate of interest set under the proposed formula and for as long as 50 years, however, would mean that a large proportion of this municipal borrowing would be transferred from the private market to the Federal Government. Thus, without some additional safeguards, the bill might add considerably less to economic activity than to Federal liabilities. Furthermore, the interest rate formula, together with the revolving fund feature, would tend to make the Federal Government a permanent source of municipal financing. The Board doubts whether it would be sound for the Federal Government to assume such a major role in the financing of municipalities as a permanent practice.

In short, the Board would therefore suggest that the bill be directed primarily to stimulating activity during the current recession, that the loan fund not be a revolving fund, and that loans be available only to applicants who cannot otherwise obtain funds on reasonable terms.

Sincerely yours,



Wm. McC. Martin, Jr.

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

Item No. 11  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958

Mr. Roger W. Jones,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget,  
Washington 25, D. C.

Dear Mr. Jones:

This is in response to your Legislative Referral Memorandum of February 21, 1958, requesting the Board's views with respect to the bill S. 3083, "To amend section 24 of the Federal Reserve Act to clarify the requirements of such section in the case of loans made by national banks when the collateral offered represents liens on grazing lands."

Under section 24 in its present form, grazing or range land ordinarily is not "improved real estate" and therefore national banks may not make loans primarily secured by such land. S. 3083 would amend section 24 to permit national banks to make loans on the security of grazing land

" . . . on which the owner or lessee has expended money in carrying out range management or soil conservation practices recognized and approved by a county Agricultural Stabilization and Conservation Committee, the local representative of the Soil Conservation Service, or the county agriculture extension agent."

The Board understands that approved range management and soil conservation practices include such improvements as water installations, brush control, drift fences, and reseeded. Although a complete program may involve several of these, it seems probable that adoption of any of them would be "recognized and approved" by the agencies named, which is the test prescribed by the proposed amendment. In that event, under a literal interpretation of said amendment, a relatively nominal expenditure that would not substantially change the "unimproved" nature of grazing land might be held to bring loans on such land within the purview of section 24.

Mr. Roger W. Jones

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In other words, the Board raises the question whether, in view of the language of S. 3083, that bill might be enacted under the impression, and with the intention, that grazing land would continue to be ineligible security for national bank loans unless it had been substantially improved through approved range management and soil conservation practices, whereas the actual effect of the bill might be to make grazing lands eligible security on the basis of relatively insignificant improvements. Of course, Congress may conclude that unimproved grazing land is suitable security for loans by national banks. In that event, however, it would seem preferable to so provide explicitly in section 24.

In lieu of the slight restrictions prescribed by S. 3083, consideration might be given to amending section 24 to permit national banks to lend on the security of grazing lands only if the owner or lessee had carried out a program of range improvements approved by the Agricultural Conservation Program Service or the Soil Conservation Service of the United States Department of Agriculture. On the other hand, it may be that the relatively mild requirements embodied in S. 3083 would serve a useful purpose as a safeguard against loans being made on the security of arid land that could not properly be classed as grazing land.

As you are aware, section 24 of the Federal Reserve Act applies exclusively to real estate loans by national banks. The Comptroller of the Currency is the primary supervisor of the national banking system, and accordingly the views of the Treasury Department presumably would be accorded particular weight in passing on the advisability of the proposal embodied in S. 3083.

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. 12  
3/24/58

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1958



Confidential (FR)

Mr. Watrous H. Irons, President,  
Federal Reserve Bank of Dallas,  
Dallas 2, Texas.

Dear Mr. Irons:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Dallas for the period July 1, 1958 through December 31, 1958, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of March 14, 1958:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
G. R. Murff	Vice President	\$15,700
Arthur H. Lang	General Auditor	15,000

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,  
Secretary.