

Minutes for August 20, 1959.

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	x <u>(M)</u>	<u>MS</u>
Gov. Szymczak	<u> </u>	x <u>MS</u>
Gov. Mills	x <u> </u>	<u> </u>
Gov. Robertson	<u> </u>	x <u>R</u>
Gov. Balderston	x <u>CB</u>	<u> </u>
Gov. Shepardson	<u> </u>	x <u>CS</u>
Gov. King	x <u> </u>	<u> </u>

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, August 20, 1959. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. King

Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Shay, Legislative Counsel
Mr. Molony, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of Examinations
Mr. Nelson, Assistant Director, Division of
Examinations
Mr. Hooff, Assistant Counsel
Mr. Young, Assistant Counsel
Mr. Thompson, Supervisory Review Examiner,
Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on August 17, 1959, and by the Federal Reserve Bank of San Francisco on August 19, 1959, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Items circulated or distributed to the Board. The following items, which had been circulated or distributed 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 Riverside Trust Company, Hartford, Connecticut, approving the establishment of a branch in Old Lyme.	1

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	<u>Item No.</u>
Final tax certification with respect to Consolidated Naval Stores Company, Sebring, Florida.	2
Letter to the Federal Reserve Bank of Chicago regarding the question whether operation by a State member bank of a teller's window on adjacent property requires Board approval.	3
Letter to the Francis J. Tallman Company, Kansas City, Missouri, regarding its status as a holding company affiliate.	4
Letter to the Comptroller of the Currency recommending approval of an application to organize the Northgate National Bank in El Paso, Texas.	5
Letter to the Comptroller of the Currency recommending disapproval of an application of John T. Bean and associates to organize a national bank in El Paso, Texas.	6

Discussion prior to approval of the foregoing Items 5 and 6

brought out that the application to organize the Northgate National Bank was filed one day prior to the application of Mr. Bean and associates and that two applications to organize State banks in the general area also had been filed. It was not known by the Division of Examinations whether the latter had priority over the national bank applications from the standpoint of date of filing. It was assumed that the Comptroller of the Currency would have to work out this problem with the State authorities, since the impression gained from the reports of investigation of the Dallas Reserve Bank was that room existed for only one new bank in the area at this time. Conceivably, however, it might be decided to grant two of the four applications. It was also

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brought out that, whereas the proponents of the Northgate National Bank had arranged for executive management, the group associated with Mr. Bean had not made definite arrangements.

Messrs. Hooff and Thompson then withdrew from the meeting.

Proposed amendments to Federal Credit Union Act (Item No. 7).

The Senate Banking and Currency Committee had requested the Board's views on H.R. 8305, a bill to amend the Federal Credit Union Act. It was understood that the Committee also desired any comments the Board might have with respect to S. 1786, S. 1907, and S. 1985, each providing for certain amendments to the Federal Credit Union Act.

A memorandum from Mr. Walter Young dated August 17, 1959, which had been distributed to the Board, submitted a draft report on these bills which followed closely the comments made by the Board earlier this year in reporting to the Bureau of the Budget on H.R. 5777, a bill then under consideration by the House Banking and Currency Committee. H.R. 8305 was a clean bill reported by the House Committee following its consideration of H.R. 5777.

After discussion relating to the appropriate role and the growth trend of credit unions, a minor change in the proposed letter was suggested. Unanimous approval then was given to the letter to the Senate Banking and Currency Committee of which a copy is attached as Item No. 7.

Mr. Nelson then withdrew from the meeting.

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Savings and loan holding company legislation (Item No. 8).

The Senate Banking and Currency Committee had requested the Board's views on bill H.R. 7244, "to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies".

A memorandum from Mr. Walter Young, distributed under date of August 17, 1959, pointed out that the bill was similar to H.R. 4135, which passed the House of Representatives in 1957 but was not acted upon by the Senate, and that similar provisions were included in S. 1451, the proposed Financial Institutions Act of 1957. The memorandum also noted that the Board was not asked to report on H.R. 7244 when that bill was under consideration by the House Banking and Currency Committee. As to the Financial Institutions Act, the Board made no comment concerning the provisions designed to restrict holding companies in the savings and loan field. Submitted for consideration was a draft of letter which would state that since H.R. 7244 related to matters beyond the Board's jurisdiction and would have no direct effect upon the Federal Reserve System, the Board had no comments to offer.

Mr. Shay commented that H.R. 7244, with certain relatively minor amendments, was acted upon favorably by the Senate Banking and Currency Committee yesterday. He understood, however, that the Committee would like to have a letter from the Board for inclusion in the record.

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Mr. Hackley commented that the Board had for many years actively supported holding company legislation for commercial banks and that the proposed report on H.R. 7244 could, if the Board so desired, be strengthened somewhat by a reference to the Board's endorsement of proposals that led to the Bank Holding Company Act of 1956. Such a letter might also state that in principle the Board would favor similar legislation with respect to holding companies of savings and loan associations if, in the judgment of the Congress, such companies had developed to such an extent as to justify regulation.

Governor Mills stated that he would be inclined to go even further and express the view that the proposed legislation would be desirable in order to maintain the local community character of savings and loan associations. Language to that effect, he noted, was included in the Senate Committee report on the proposed Financial Institutions Act. It would be generally consistent not only with the position taken by the Board in reporting on amendments to the Federal Credit Union Act but also with Board statements in the past when attempts were made to expand the scope of operations of savings and loan associations beyond a local character.

There was agreement that the proposed letter should be revised in the manner suggested by Governor Mills and Mr. Hackley. Accordingly, unanimous approval was given to a letter to the Senate Banking and Currency Committee in the form attached as Item No. 8.

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Mr. Young then withdrew from the meeting.

Regulation U meeting. Pursuant to the understanding at the meeting on Monday, August 17, the Board met briefly with the Presidents of the Federal Reserve Banks following the Federal Open Market Committee meeting on August 18 for the purpose of exploring further the suggestion of President Erickson that a conference be held with representative bankers prior to the issuance of any general interpretation with regard to the "carrying" provisions of Regulation U. In response to an inquiry by the Board as to how selection might be made of the group of bankers that would be invited to participate, the Presidents suggested the possibility of making arrangements through the Federal Advisory Council.

After further consideration of alternative possibilities for arranging attendance at such a meeting, it was agreed that Chairman Martin would endeavor to get in touch with President Livingston of the Federal Advisory Council to obtain the latter's suggestions and then report to the Board. The discussion included the comment that not all of the Reserve districts might be interested in having a representative at the conference and also the comment that negotiations with the New York Clearing House for representation at such a meeting should be conducted direct with the Clearing House in view of that organization's request for an opportunity to be heard.

Meeting of examining personnel. After consideration of information contained in a memorandum from Mr. Solomon dated August 17, 1959,

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which had been distributed to the Board, the Division of Examinations was authorized to arrange a one-day meeting with Vice Presidents and other representatives of the Federal Reserve Bank Examination Departments on October 20, 1959, in Hollywood, Florida, in connection with the convention of the National Association of Supervisors of State Banks. In this connection, the Board authorized the sending of a letter to the Presidents of all Federal Reserve Banks in the form submitted with Mr. Solomon's memorandum.

The Board's action included approval of the attendance of Messrs. Solomon, Masters, and Benner of the Division of Examinations at the proposed one-day meeting and at the convention of the National Association of Supervisors of State Banks, with the understanding that their reimbursement would be on an actual expense basis. A further understanding was that either Mr. Solomon or Mr. Masters would accept an invitation to participate in a seminar on supervisory problems being planned by the National Association of State Bank Supervisors in connection with the convention.

Mr. Solomon then withdrew from the meeting.

Leave of absence for Mr. Bangs. Pursuant to the recommendation contained in a memorandum dated August 13, 1959, from Mr. Noyes, Adviser, Division of Research and Statistics, which had been distributed to the Board, it was agreed unanimously to grant leave of absence without pay for a period of one year, beginning in September 1959, to Robert B. Bangs,

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Senior Economist in the Division of Research and Statistics, in order to permit him to participate in work being conducted by the Joint Committee on Internal Revenue Taxation. The Division of Personnel Administration was authorized to make appropriate arrangements with respect to retirement, insurance, hospitalization, and other related matters. The memorandum from Mr. Noyes indicated that the Division of Research and Statistics hoped to replace Mr. Bangs during the period of his absence.

Request for computer time. Governor Balderston recalled that at the meeting on August 17, 1959, Mr. Noyes had advised of a request by the staff of the Joint Economic Committee for use of time on the Board's computer. It was understood that Mr. Noyes would discuss the matter further with Dr. Otto Eckstein of the Committee staff and that the matter would be brought back to the Board.

Governor Balderston then referred to a memorandum from Mr. Noyes dated August 18 which indicated that the work envisaged by the Committee staff might require a minimum of 20 hours of computer time. It appeared that some time on the computer could be made available during regular working hours this month, and perhaps next month, at the expense of projects deferrable without serious inconvenience, but that some overtime might be required in order to complete the project. In this connection, Dr. Eckstein had indicated that the Committee would be prepared to reimburse the Board if the Board so desired. In view of the uncertainties associated with the project, the memorandum from

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Mr. Noyes suggested authorizing the Division of Administrative Services to provide the Joint Economic Committee such computer time as could be made available without serious inconvenience to the Board's own operations. If it should develop that more time was needed by the Committee than could be provided on such basis, the staff would report back to the Board and obtain further guidance as to whether the time should be made available and, if so, whether it should be supplied on a reimbursable or nonreimbursable basis.

After discussion, the Division of Administrative Services was authorized to make computer time available to the staff of the Joint Economic Committee on the basis mentioned in Mr. Noyes' memorandum, and on a nonreimbursable basis, with the understanding that if it should appear that overtime was to be involved the matter would be brought back to the Board for further consideration.

Meeting with Hardy Subcommittee. As contemplated at the meeting on August 17, Chairman Martin met on Tuesday afternoon, August 18, with the Subcommittee on Foreign Operations and Monetary Affairs of the House Government Operations Committee. He was accompanied by Messrs. Shay and Farrell.

After reviewing the nature of the meeting, Chairman Martin said it seemed clear that the Subcommittee desired to move forward with an examination of the Board's operations from the standpoint of economy and efficiency. A request was made that some person from the Board's staff

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be named whom the Subcommittee staff could contact for assistance in making available such documents as might be wanted in the course of the investigation.

Chairman Martin suggested that Mr. Farrell be designated as the staff member to serve in the capacity mentioned and that Mr. Farrell be authorized to make documents and other information freely available to Subcommittee representatives, with the understanding that he would report to the Chairman for guidance if and when necessary and that the Chairman would bring any questions to the Board's attention.

The other members of the Board concurred in the designation of Mr. Farrell and in the Chairman's view that material requested by Subcommittee personnel should be made freely available for examination within the Board's building, with appropriate advice concerning items regarded as confidential in nature. It was indicated that, if necessary, consideration would be given to the naming of an alternate for Mr. Farrell.

Chairman Martin suggested that Mr. Shay endeavor to obtain a transcript of the meeting with the Subcommittee on August 18 for the information of the other members of the Board. In this connection, the Chairman noted that he might be called to meet again with the Subcommittee.

Capital accounts of the Federal Reserve Banks. With reference to the discussion of capital accounts of the Federal Reserve Banks at the meeting on July 15, 1959, Governor King stated that he had prepared a memorandum in amplification of the views he expressed at that time,

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particularly with respect to contingency and depreciation reserves. It was understood that copies of Governor King's memorandum would be distributed to the other members of the Board and to appropriate members of the staff for their information.

Bank supervision in Kentucky. Governor Mills stated that the Kentucky Legislature had created a commission to review the structure of the State's bank supervisory organization and had asked the commission to come to Washington for consultation with the Federal bank supervisory agencies. A meeting was to be held next Tuesday, August 25, at the headquarters of the American Bankers Association, with representatives of the Comptroller of the Currency and the Federal Deposit Insurance Corporation present along with representatives of the National Association of Supervisors of State Banks and possibly a representative of the Federal Reserve Bank of St. Louis. It was contemplated that Mr. Nelson of the Division of Examinations would attend, and Governor Mills said that he might attend the meeting also in the absence of objection.

Without objection, it was understood that Governor Mills would proceed in such manner as he deemed appropriate.

The meeting then adjourned.

Secretary's Notes:

Governor Balderston, in the absence of Governor Shepardson, approved on behalf of the Board on August 18, 1959, a letter to the Federal Reserve

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Bank of New York (attached Item No. 9) approving the appointment of Edward G. Hofmann, III, and A. Ward Burian as assistant examiners, and a letter to the Federal Reserve Bank of Chicago (attached Item No. 10) approving the designation of Victor F. Carlino, Neal D. Elkin, Hilbert G. Swanson, and Allen G. Wolkey as special assistant examiners.

On the basis of recommendations contained in memoranda from appropriate individuals concerned, Governor Balderston also approved on behalf of the Board on August 18, 1959, the following items affecting the Board's staff:

Promotion

Ann C. Tompros, from the position of Special Assistant Federal Reserve Examiner to Secretary, Division of Examinations, with an increase in her basic annual salary from \$4,640 to \$4,790, effective August 23, 1959.

Acceptance of resignations

Elizabeth G. Stephenson, Records Clerk, Office of the Secretary, effective August 12, 1959.

Edward J. Kane, Research Assistant, Division of Research and Statistics, effective August 21, 1959.

Thomas E. Summers, Economist, Division of International Finance, effective September 7, 1959.

Governor Balderston today approved on behalf of the Board the following items affecting the Board's staff:

Appointment

Charlotte Hanovega, as Statistical Assistant in the Division of Research and Statistics, with basic annual salary at the rate of \$4,040, effective the date of entrance upon duty.

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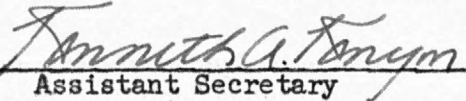
Advance of sick leave

Norma L. Neitzey, Secretary in the Division of Examinations, for a period of not more than 17 days from August 20, 1959.

Acceptance of resignation

Marie M. Knarr, Statistical Clerk, Division of Research and Statistics, effective August 21, 1959.

Governor Balderston also approved today on behalf of the Board a memorandum dated August 18, 1959, from Mr. Solomon, Director, Division of Examinations, recommending that Thomas L. Hunter, Jr., recently employed as a Supervisory Review Examiner in that Division, be commissioned as a Federal Reserve Examiner.


Assistant Secretary

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

Item No. 1
8/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 20, 1959

Board of Directors,
Riverside Trust Company,
Hartford, Connecticut.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Old Lyme Shopping Center, Old Lyme, Connecticut, by Riverside Trust Company, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 2
8/20/59

F I N A L C E R T I F I C A T I O N

Pursuant to section 1101(e)(2) of the Internal Revenue Code of 1954, the Board of Governors of the Federal Reserve System hereby certifies, to the best of its knowledge and belief, that Consolidated Naval Stores Company, Sebring, Florida, which formerly was a bank holding company as defined in section 2(a) of the Bank Holding Company Act of 1956, has ceased to be a bank holding company before the expiration of the period specified in subparagraph (B) of section 1101(e)(2) of the Internal Revenue Code of 1954.

Executed in Washington, D. C., pursuant to direction of the Board of Governors of the Federal Reserve System.

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

(SEAL)

Date: August 20, 1959.

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

Item No. 3
8/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 20, 1959

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

Dear Mr. Diercks:

Reference is made to your letters of June 22 and July 20, 1959, requesting the Board's opinion whether the operation by a State member bank of a teller's window on adjacent property, pursuant to statutes recently enacted in Indiana, Iowa and Wisconsin, requires the Board's approval under section 9 of the Federal Reserve Act, relating to establishment of branches.

In the case of an office to be operated on property which is not actually adjoining the property on which an existing office of the bank is located, it is the Board's opinion that a branch would be established, within the meaning of the Federal statutes relating to the establishment of branches by State member banks, and, therefore, the Board's permission would be required. An exception to this principle exists where there is a passageway, under the sole control of the bank, between the two properties, through which customers or employees may pass. The test is whether the bank has exclusive control over the means of passage between the two offices. For example, if a public street or alley separates the two properties and there is no connecting passageway (such as a tunnel or bridge) under the sole control of the bank, the Board's permission would be necessary before a teller's window could be established on the adjacent property.

The fact that an office is not considered a branch under State law is not material in determining whether it constitutes a branch within the meaning of section 5155 of the Revised Statutes. This situation has existed in other States for a number of years and member banks therein have been required to obtain the Board's permission before establishing such offices.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 4
8/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 20, 1959



Mr. W. C. Hartley,
Secretary - Treasurer,
Francis J. Tallman Company,
3256 Broadway,
Kansas City, Missouri.

Dear Mr. Hartley:

This refers to the request contained in your letter of May 28, 1959, submitted through the Federal Reserve Bank of Kansas City, for a determination by the Board of Governors of the Federal Reserve System as to the status of the Francis J. Tallman Company as a holding company affiliate.

From the information supplied, the Board understands that Francis J. Tallman Company is primarily engaged in the general insurance business; that such company is a holding company affiliate of The Miami County National Bank of Paola, Kansas, by reason of the fact that it owns 496 of the 1,000 outstanding shares of common stock of that bank, which amount owned is more than 50 per cent of the number of shares voted at the last election of directors of the bank; and that such company does not, directly or indirectly, own or control any stock of, or manage or control any banking institution other than The Miami County National Bank of Paola.

In view of these facts the Board has determined that Francis J. Tallman Company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Francis J. Tallman Company is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act, and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. W. C. Hartley

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If, however, the facts should at any time differ from those set out above to an extent which would indicate that Francis J. Tallman Company might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 5
8/20/59



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 20, 1959

Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated May 5, 1959, enclosing copies of an application signed by W. L. Sibley and associates to organize a national bank in El Paso, Texas, and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas discloses that the proponents plan to provide a capital structure of \$500,000 for the bank instead of \$250,000 shown in the application. This capital structure would be adequate on the basis of the anticipated volume of business to be acquired. The prospects for profitable operations are favorable, character of management satisfactory, and there appears to be a need for a bank in the area. It is reported, however, that applications are pending for another national bank and for two State bank charters in the Sunrise Acres Shopping Center area approximately two miles southeast of the site selected for the proposed Northgate National Bank of El Paso. According to information available, there is need for only one bank in the area; and the Board recommends approval of this application provided the other applications for banks in the same area are determined to be subordinate.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 6
8/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 20, 1959



Comptroller of the Currency,
Treasury Department,
Washington 25, D. C.

Attention Mr. G. W. Garwood,
Deputy Comptroller of the Currency.

Dear Mr. Comptroller:

Reference is made to a letter from your office dated May 8, 1959, enclosing copies of an application to organize a national bank at El Paso, Texas, signed by Mr. John T. Bean and associates and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas indicates favorable findings with respect to the proposed capital structure of the bank and its future earnings prospects. It is reported that the board of directors would be composed of successful businessmen, but, since they lack banking experience and a managing officer has not been selected, the management situation cannot be satisfactorily evaluated. The site selected for this bank is about two miles from the proposed location of the Northgate National Bank of El Paso, the application for which is dated April 30, 1959. Moreover, applications are pending for the organization of two State banks in the immediate area. Inasmuch as it appears that only one bank is needed in the area at this time and a prior application is pending, the Board does not feel justified in recommending favorable consideration of the application filed by Mr. Bean and associates.

The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office if you so desire.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
8/20/59

OFFICE OF THE CHAIRMAN

August 20, 1959.

The Honorable A. Willis Robertson, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your request of August 5, 1959, for the Board's views on H.R. 8305, a bill "To amend the Federal Credit Union Act." It is understood that your Committee also desires any comments the Board might have with respect to S. 1786, S. 1907, and S. 1985, each providing certain amendments to the Federal Credit Union Act.

H.R. 8305 completely rewrites the Federal Credit Union Act. It contains numerous provisions of a clarifying nature, most of which appear to be technical or to contain no important substantive changes. Many of these are concerned with internal management and organization of Federal credit unions. The Board has no comments with respect to these provisions.

It is recognized that Federal credit unions serve a useful and constructive purpose but should be limited to the area of operations for which they were originally authorized. In view of the special privileges which are accorded to credit unions on the basis of their nonprofit and cooperative character, the Board believes it is important that their activities be required at all times to conform to such character and to avoid undesirable commercialism. The Board has some question whether some of the changes now proposed may not tend to encourage undue expansion of credit unions in a manner at variance with their basic purposes. Especially careful consideration of these proposals from this point of view would be desirable in order that credit unions may serve their proper purposes but without tending to become organizations of a commercial character.

It is noted that both S. 1786 and S. 1985 contain provisions which would permit the chartering of Federal central credit unions. The Board questions the need for granting authority

The Honorable A. Willis Robertson -2-

for this purpose since such authority would not contribute to the soundness or stability of credit unions that are operating in their proper sphere and in some instances might tend to encourage undesirable promotional activity.

H.R. 8305, S. 1786, and S. 1985 all contain provisions which would increase maximum maturities of loans from three to five years and would increase unsecured loan limits from \$400 to \$1,000, while S. 1907 would increase unsecured loan limits from \$400 to \$800. The Board understands that these changes are designed primarily to facilitate home improvement loans by credit unions. In the light of the facilities for this purpose provided by the FHA Title I program and the risks inherent in unsecured uninsured loans of longer maturities, the Board does not favor such an amendment. An alternative might be to limit any such expansion of the authority of the credit unions to make unsecured home improvement loans to those insured under Title I.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
8/20/59

OFFICE OF THE CHAIRMAN

August 20, 1959

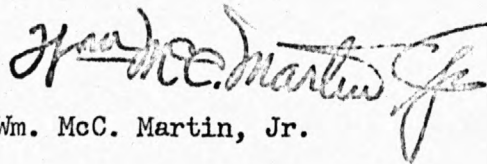
The Honorable A. Willis Robertson, Chairman,
Committee on Banking and Currency,
United States Senate,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your request of August 5, 1959, for the Board's views on a bill, H. R. 7244, "To promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies."

As you know, the Board endorsed proposals that led to the enactment in 1956 of legislation to regulate holding companies of commercial banks; and, in principle therefore, the Board would favor similar legislation with respect to holding companies of savings and loan associations if in the judgment of Congress such companies have developed to such an extent as to justify regulation. The Board believes that such legislation would be desirable in order to maintain the local community character of such associations.

Sincerely yours,



Wm. McC. Martin, Jr.

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

Item No. 9
8/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 18, 1959

Mr. H. A. Bilby, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Bilby:

In accordance with the request contained in your letter of August 13, 1959, the Board approves the appointment of Edward G. Hofmann, III and A. Ward Burian as assistant examiners for the Federal Reserve Bank of New York. Please advise as to the dates on which the appointments are made effective.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



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

Item No. 10
8/20/59

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 18, 1959



Mr. C. P. Van Zante,
Assistant Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Van Zante:

In accordance with the request contained in your letter of August 13, 1959, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Chicago:

Victor F. Carlino
Neal D. Elkin
Hilbert G. Swanson
Allen G. Wolkey

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.