

Minutes of the Board of Governors of the Federal Reserve System
on Friday, April 7, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Fauver, Assistant to the Board
Mr. Noyes, Director, Division of
Research and Statistics
Mr. Koch, Adviser, Division of
Research and Statistics
Mr. Yager, Economist, Division of
Research and Statistics

Mr. Stone, Manager, Securities Department,
Federal Reserve Bank of New York

Money market review. Mr. Yager reviewed developments in the Government securities market, following which Mr. Thomas commented on bank credit and related matters.

There ensued a general discussion based on these reports, at the conclusion of which Messrs. Thomas, Young, Koch, Yager, and Stone withdrew from the meeting and Messrs. Hackley, General Counsel, and Solomon, Director, Division of Examinations, entered the room. Miss Hart, Assistant Counsel, also joined the meeting at this point.

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Kansas City, Dallas, and San Francisco on April 6, 1961, of the rates on discounts and advances in their existing schedules was approved

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unanimously, with the understanding that appropriate advice would be sent to those Banks.

Report on S. 1127 and S. 1249 (Item No. 1). Pursuant to the understanding at the meeting on April 4, 1961, there had been distributed to the Board copies of a revised draft of letter to Senator Robertson, Chairman of the Senate Banking and Currency Committee, concerning S. 1127 and S. 1249, bills relating to farm housing.

After discussion the letter, a copy of which is attached as Item No. 1, was approved unanimously.

Request of Otto Bremer Company (Item No. 2). Otto Bremer Company, St. Paul, Minnesota, had requested a determination, under section 4(c)(6) of the Bank Holding Company Act, that the activities of the following proposed subsidiaries would be of such nature as to make it unnecessary for the prohibitions of section 4 of the Act, with respect to shares in nonbanking corporations, to apply in order to carry out the purposes of the Act:

Farmers State Agency, Inc., a North Dakota corporation;
Citizens Agency, Inc., a Minnesota corporation; and
Warren Agency, Inc., a Minnesota corporation.

In a memorandum dated April 6, 1961, which had been distributed to the Board, the Legal Division reported that arrangements had been made for a hearing at the Federal Reserve Bank of Minneapolis on May 10, 1961. Under these arrangements Charles W. Schneider would serve as Hearing Examiner, John P. Olin, Assistant Counsel of the Minneapolis

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Reserve Bank would serve as Board Counsel, and M. H. Strothman, Jr., Vice President and General Counsel of the Minneapolis Bank, would be associated with Mr. Olin. Submitted with the memorandum was a draft of order for hearing which would be published in the Federal Register.

No objection to the arrangements for the hearing was indicated. Accordingly, the designation of Mr. Schneider as Hearing Examiner was approved unanimously, along with the issuance of the Order for Hearing. A copy of the Order is attached as Item No. 2.

Miss Hart then withdrew from the meeting.

Request for access to examination reports (Item No. 3). The Board previously had agreed, Governors Mills and King dissenting, to grant the request of the Department of Justice for access to reports of examination of State member banks in Lexington, Kentucky, for use in connection with an antitrust proceeding against a bank in that city that resulted from a recent merger. At yesterday's meeting it was agreed to defer transmittal to the Justice Department of the letter reflecting the position of the majority of the Board because it had been learned that Mr. Coburn, General Counsel of the Federal Deposit Insurance Corporation, and Mr. Englert, Chief Counsel, Office of the Comptroller of the Currency, were arranging an appointment at the Department of Justice to present the point of view of those agencies that the reports of examination of national and insured nonmember banks in Lexington should not be used for the purpose indicated.

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Mr. Hackley reported that Messrs. Coburn and Englert had a meeting yesterday with a representative of the Justice Department, as a result of which they gained the impression that the Department might not press its request for access to the examination reports of the banks in Lexington, except possibly the reports of the banks involved in the merger. It was understood that the two bank supervisory agencies proposed to take no action in the absence of a further request from the Justice Department.

Mr. Hackley also said Mr. Coburn had indicated that there was pending before the Federal Deposit Insurance Corporation a proposed merger on which the Justice Department had rendered an adverse report on competitive aspects. He understood Mr. Coburn intended to recommend to the directors of the Corporation that if, upon further study, it appeared that the Justice Department would be inclined to institute an antitrust proceeding if the merger were approved, the Corporation inquire of the banks concerned whether they would like to have action on the merger application deferred, and that action be deferred on receipt of such request from the banks.

The question raised by the report of Mr. Hackley was whether the Board wished, in the present circumstances, to transmit to the Department of Justice the letter granting the Department's request for access to the examination reports of the State member banks in Lexington. An alternative might be to check with the Department for the purpose of endeavoring to learn whether a decision had been made against seeking

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access to the examination reports of the national and insured nonmember banks and, if so, whether the Department had any further interest in obtaining access to the reports of the State member banks.

Governor Robertson indicated that he would be inclined to send to the Department of Justice the letter reflecting the original decision of the majority of the Board. He commented that if the letter was sent and the Department decided not to press its request for access to the reports of examination of the national and insured nonmember banks, the Department would hardly be interested in access to the reports of the State member banks for they would not provide a complete picture. If the Board asked that the request of the Justice Department be withdrawn, it would simply be linking itself with the other bank supervisory agencies, whose views did not agree with those of the majority of the Board. Thus, depending on further developments, the Board might get itself involved in a dispute for no purpose.

Governor Shepardson expressed the view that it would not be out of order, in light of the developments reported by Mr. Hackley, to defer a decision on transmitting the letter long enough to ascertain whether the Department of Justice had decided to withdraw its request for access to the examination reports of the national and nonmember insured banks in Lexington. If the Department was not going to press the other two bank supervisory agencies, it would hardly press the Board. Further, it seemed likely that the decision of the Department would be made quite promptly because of the early date set for the

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trial of the suit brought by the Department in the Lexington case. Accordingly, he would favor checking with the Department before the letter was sent.

Governor King referred to his original position against acceding to the request of the Justice Department for access to the reports and said that that would still be his position. In view of what had transpired since the original decision of the Board was made, he felt that it would be reasonable to give consideration to those developments.

Governor Szymczak supported the position that the letter reflecting the original decision of the Board be sent to the Justice Department.

In reply to a question by Governor Balderston, Mr. Hackley said he believed it was his feeling that the cleanest approach would be to send the letter reflecting the Board's original decision to the Justice Department. The Board had on record the request of the Department, the Board had considered that request, and it had decided by majority vote to comply with the request. The principal argument against sending the reply would appear to be that it might cause some strain in relations between the Board and the other bank supervisory agencies, particularly if they felt that it might have been unnecessary, in the light of developments, for the Board to send the letter. In any event, as had been pointed out, the decision of the Justice Department should be known shortly, in view of the date set for trial of the Lexington case.

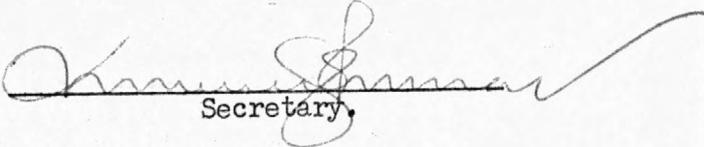
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Governor Balderston then stated that he would be agreeable to the transmittal of the letter to the Justice Department.

Accordingly, the views of Governors Shepardson and King having been noted, it was agreed to send the letter. A copy of the letter, as sent pursuant to this action, is attached as Item No. 3.

The meeting then adjourned.


Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 1
4/7/61

OFFICE OF THE CHAIRMAN

April 7, 1961

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 recent request for reports on S. 1127 and S. 1249. This report deals with the two together since the bills appear to be identical except that the former would permit the Secretary of Agriculture, under the proposed direct loan program, to pass on the suitability of single or multi-family construction, and to require that occupants be given an opportunity to purchase the housing. It is not clear how this last provision is expected to operate. The Board would suggest that, if the provision is retained, the language be made more explicit.

Both bills would (1) authorize the Secretary of Agriculture to extend financial assistance under Title V of the Housing Act of 1959* to domestic farm laborers "to enable them to provide decent, safe, and sanitary dwellings for themselves and their families"; (2) extend the cases in which loans and grants may be made for repairs and improvements to farm buildings; (3) create a new program, administered by the Secretary of Agriculture, of insurance of loans "to any person for the purpose of providing housing and related facilities for domestic farm labor" up to \$35 million per fiscal year; (4) authorize the Secretary of Agriculture to make direct loans for provision of new housing suitable for dwelling use by domestic farm labor or rehabilitation of housing suitable for use by migratory farm labor, and authorize appropriation of \$25 million to a revolving fund for this purpose; and (5) remove from the restrictions of Section 24 of the Federal Reserve Act real estate loans under Title V of the Housing Act of 1949 (including those made under the new programs proposed in these bills). Since Section 24 of the Federal Reserve Act applies to national banks, the Committee may wish to have the views of the Comptroller of the Currency on this last point.

In paying obligations arising under the proposed insurance program, the Secretary of Agriculture would utilize the insurance fund

*Should have read Housing Act of 1949.

The Honorable A. Willis Robertson -2-

created under Section 11 of the Bankhead-Jones Farm Tenant Act. Funds for the direct loan program would be appropriated funds and would be lent at the higher of $2\frac{3}{4}$ per cent per annum or one-fourth of 1 per cent above the average annual interest rate on all interest bearing debt of the United States at the end of the preceding fiscal year, adjusted to the nearest one-eighth of 1 per cent. The Board believes that a formula which would more accurately reflect the current cost of borrowing funds for a term comparable to that for which loans are extended would be preferable.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Item No. 2
4/7/61BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMNOTICE OF REQUEST FOR DETERMINATION
PURSUANT TO SECTION 4(c)(6) OF
BANK HOLDING COMPANY ACT OF 1956 AND
ORDER FOR HEARING THEREON

Notice is hereby given that request has been made to the Board of Governors of the Federal Reserve System, pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 [12 U.S.C. 1843] and section 5(b) of the Board's Regulation Y [12 CFR 222.5(b)] by Otto Bremer Company, St. Paul, Minnesota, a bank holding company, for a determination by said Board that the activities of three proposed subsidiaries, Farmers State Agency, Inc., a North Dakota corporation; Citizens Agency, Inc., a Minnesota corporation; and Warren Agency, Inc., also a Minnesota corporation will be of the kind described in the aforementioned sections of the Act and the Regulation so as to make it unnecessary for the prohibitions of section 4 of the Act with respect to shares in nonbanking organizations to apply in order to carry out the purposes of the Act.

Inasmuch as section 4(c)(6) of the Bank Holding Company Act of 1956 requires that any determination pursuant thereto be made

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by the Board after due notice and hearing and on the basis of the record made at such hearing,

IT IS HEREBY ORDERED That pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 and in accordance with sections 5(b) and 7(a) of the Board's Regulation Y [12 CFR 222.5(b), 222.7(a)], promulgated under the Bank Holding Company Act of 1956, a hearing with respect to this matter be held commencing on May 10, 1961, at 10:00 a.m., at the offices of the Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota, before a duly selected hearing officer, such hearing to be conducted in accordance with the Rules of Practice for Formal Hearings of the Board of Governors of the Federal Reserve System [12 CFR Part 263]. The right is reserved to the Board or such hearing officer to designate any other date or place for such hearing or any part thereof which may be determined to be necessary or appropriate for the convenience of the parties. The Board's Rules of Practice for Formal Hearings provide, in part, that "All such hearings shall be private and shall be attended only by respondents and their representatives or counsel, representatives of the Board, witnesses, and other persons having an official interest in the proceedings; Provided, however, That on the written request of one or more respondents or counsel for the Board, or on its own motion, the Board, when not prohibited by law, may permit other persons to attend or may order the hearing to be public."

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Any person desiring to give testimony in this proceeding should file with the Secretary of the Board, directly or through the Federal Reserve Bank of Minneapolis, on or before May 3, 1961, a written request containing a statement of the nature of the petitioner's interest in the proceeding, and a summary of the matters concerning which said petitioner wishes to give testimony. Such request will be presented to the designated hearing officer for his determination. Persons submitting timely requests will be notified of the hearing officer's decision.

Dated at Washington, D. C., this 7th day of April, 1961.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
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OFFICE OF THE CHAIRMAN

April 7, 1961



The Honorable Lee Loevinger,
Assistant Attorney General,
Antitrust Division,
Department of Justice,
Washington 25, D. C.

Dear Judge Loevinger:

This is in reply to your letter of March 30, relating to U. S. v. First Security National Bank and Trust Company of Lexington, et al., currently pending in the United States District Court for the Eastern District of Kentucky. In connection with that litigation, the Antitrust Division wishes to inspect reports of examinations of the Bank of Commerce, Lexington, Kentucky, and Security Trust Company, Lexington, Kentucky. The Division wishes only to study the facts set forth in these reports and is not requesting that the reports be made available for use at the trial of the above-mentioned case.

The reports of examination to which your letter refers will be made available for inspection in the Board's offices by representatives of the Antitrust Division. These reports are being made available to the Division for use in developing information and not for disclosure in connection with the trial of the case or otherwise. This is in accordance with section 7(b) of the Rules of Organization of the Board of Governors (12 CFR 261.2(b)), which provides that

"The Board...may make available to...agencies of the United States...reports of examination and other information, for use where necessary in the performance of their official duties: Provided, That...under no circumstances shall any person or authority to whom the information is made available, nor any officer, director, or employee thereof, disclose or otherwise make public any such information except in official publications of general statistical reports which are not in such detail as to disclose the affairs of any person."

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.