

Minutes for April 13, 1961

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, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin	<u>(AM)</u>
Gov. Szymczak	<u>SSS</u>
Gov. Mills	<u>[Signature]</u>
Gov. Robertson	<u>R</u>
Gov. Balderston	<u>CCB</u>
Gov. Shepardson	<u>SSS</u>
Gov. King	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on
Thursday, April 13, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thomas, Adviser to the Board
Mr. Shay, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of
Research and Statistics
Mr. Farrell, Director, Division of Bank
Operations
Mr. Solomon, Director, Division of
Examinations
Mr. Hooff, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division
of Examinations
Mr. Landry, Assistant to the Secretary
Mr. Wood, Senior Economist, Division of
Research and Statistics

Report on S. 766 (Item No. 1). There had been distributed under date of April 12, 1961, with a covering memorandum from Mr. Noyes, a draft of letter to Chairman Robertson of the Senate Banking and Currency Committee replying to a request for the Board's views on S. 766, a bill to create a Federal Limited Profit Mortgage Corporation. As indicated in Mr. Noyes' memorandum, S. 766, introduced by Senator Javits, was the same as S. 1342, which the Senator introduced in the 86th Congress. The draft reply was based on the Board's report of December 17, 1959, on S. 1342, a copy of which report was also attached to the memorandum.

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The proposed reply would state that the Board would not favor passage of S. 766, for reasons set forth in the letter.

Following comments by Messrs. Shay and Noyes, the letter was approved unanimously. A copy is attached hereto as Item No. 1.

Messrs. Shay and Wood then withdrew from the meeting and Mr. Fauver, Assistant to the Board, entered the room.

Application of First Trust Company of Albany (Item No. 2).

There had been distributed a memorandum from the Division of Examinations dated April 10, 1961, recommending approval of an application by First Trust Company of Albany, Albany, New York, to merge with The Johnstown Bank, Johnstown, New York, and to continue the office of the latter as a branch of the resulting bank. The Comptroller of the Currency and the Federal Deposit Insurance Corporation had both reported that the effect of the proposed transaction on competition would not be adverse; that, in fact, competition should be enhanced in the Johnstown area.

The report of the Department of Justice stated in part:

"Although the merger will eliminate a small independent bank in the service area involved, there will still remain therein a number of larger independents. However, the entry of another large commercial bank into the service area of the four remaining smaller independent banks may further affect adversely the ability of such banks to effectively compete. The application shows that one of the main reasons for the merging bank seeking merger with a large bank is its difficulties in trying to compete with branches of much larger banks which have recently moved into its service area by means of mergers and acquisition of other independent banks."

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During discussion of the matter, Governor Balderston inquired as to the distinctions seen by the staff between this application and the application of Marine Midland Trust Company of Southern New York, Elmira, for permission to merge with First National Bank and Trust Company, Ithaca, New York, which was disapproved by the Board on March 27, 1961.

Mr. Solomon replied that (1) the impact of the proposed merger on the banking situation in Albany would not be significant, since the resources of the merging bank would not substantially increase the size of the resulting institution, which would continue to rank a poor third in size among Albany County's five commercial banks; (2) Johnstown and Fultonville branches of other large Albany banks provided strong competition to The Johnstown Bank; and (3) the six offices of First Trust Company of Albany accounted for only 9 per cent of deposits of individuals, partnerships, and corporations in the bank's area of operations.

The application of First Trust Company of Albany was then approved unanimously. A copy of the letter of approval is attached as Item No. 2.

All members of the staff then withdrew and the Board went into executive session.

Actions taken in executive session. The Secretary was subsequently advised that the Board took the following actions in executive session:

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- (1) Authorized Merritt Sherman, Secretary of the Board, to make a trip to London, England, for a period of approximately 10 days beginning on or about May 11, 1961, for the purpose of visiting the Bank of England and conducting certain other official business.
- (2) Approved a revision of the Board's Leave Regulations, as proposed in an attachment to a memorandum from the Division of Personnel Administration dated April 3, 1961. This included revisions approved by the Board since the last printing in 1953, additional revisions proposed, and elimination of obsolete, repetitious, and superfluous material. In this connection the Board also approved the recommendation in a memorandum from the Division of Personnel Administration dated March 29, 1961, that the Division be authorized to credit the sick leave account of any employee who has entered or enters on duty after May 14, 1954, from another Government agency with the sick leave certified to his credit with that agency, if the break in service between that agency and the Board does not exceed 52 continuous calendar weeks (to include recredit of the sick leave account of any employee reemployed by the Board under the same terms.)
- (3) Approved the following recommendations contained in a memorandum from the Division of Personnel Administration dated April 12, 1961, with respect to insurance coverage while on official foreign travel:
 - a. That the Board and members of the staff be provided additional coverage, while performing official foreign travel, under the endorsement privilege of the Federal Reserve Bank of New York's foreign accident travel insurance policy, effective immediately.
 - b. That the present coverage under the Liberty Mutual Insurance Company's policy for employer's liability be continued, with the understanding that the question of the additional charges now being assessed by Liberty Mutual against the

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Board for foreign travel be discussed with the Company, in view of the fact that the New York Bank pays no additional cost under Workmen's Compensation for approximately the same foreign travel coverage that the Board has.

- c. That, if and when the Department of Labor decides the Board is considered to be under the Federal Employees Compensation Act, a review be made of the foreign travel insurance coverage of Board employees to determine whether use of the New York policy should be continued.

Secretary's Note: On April 17, 1961, Governor Shepardson, after checking with other available members of the Board, approved on behalf of the Board the inclusion, at the cost of the Board, of insurance coverage for baggage and personal effects of Board employees in a foreign travel status, such coverage to be in accordance with that provided under a supplemental travel insurance policy of the Federal Reserve Bank of New York, referred to in a memorandum from the Division of Personnel Administration dated April 17, 1961.

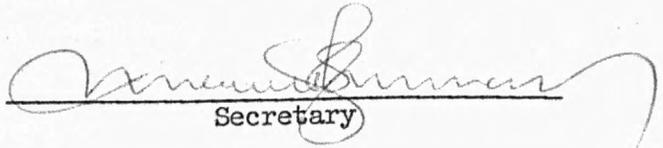
The meeting then adjourned.

Secretary's Notes: At 11:00 a.m. the members of the Board who were present at today's Board meeting heard an oral presentation by representatives of Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, regarding that bank's application for permission to merge with Camp Curtin Trust Company, also of Harrisburg, which was denied by the Board on February 3, 1961. A stenographic transcript has been placed in the Board's files.

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Pursuant to the recommendation contained in a memorandum from the Division of Examinations, Governor Shepardson today approved on behalf of the Board an increase in the basic annual salary of Susan Rowzie from \$4,460 to \$4,675, with a change in title from Stenographer to Secretary in that Division, effective April 16, 1961.


Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 1
4/13/61

OFFICE OF THE CHAIRMAN

April 13, 1961

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

Dear Mr. Chairman:

This is in reply to your request for the Board's views on S. 766, to create a Federal Limited Profit Mortgage Corporation.

The Board is especially concerned by the provisions that would authorize issuance of \$2 billion per year of tax-exempt obligations after the first year. Such a program would put upward pressure on interest rates in capital markets by offering what would be in effect federally-guaranteed tax-exempt obligations to compete with municipal bonds, taxable direct obligations of the United States, corporate security issues, and various types of mortgages.

Apart from the aspect of tax exemption, the Board also questions the appropriateness of so considerably increasing the contingent liabilities of the Federal Government through a guaranty of the kind proposed.

The Board would therefore not favor passage of S. 766.

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. 2
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 13, 1961



Board of Directors,
First Trust Company of Albany,
35 State Street,
Albany, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System, after consideration of all factors set forth in section 18(c) of the Federal Deposit Insurance Act, hereby consents to merger of The Johnstown Bank, Johnstown, New York, into the First Trust Company of Albany, Albany, New York, under the charter of the latter bank, as such merger is believed to be in the public interest.

The Board of Governors also approves the operation of a branch of the First Trust Company of Albany at 106 West Main Street, Johnstown, New York.

This approval is given provided the transaction is consummated within six months from the date of this letter substantially in accordance with the Plan of Merger submitted with the application, and shares of stock acquired from dissenting shareholders are disposed of within six months of acquisition.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.