

Minutes for July 12, 1961

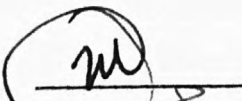
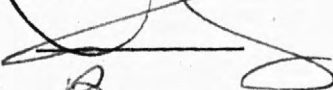
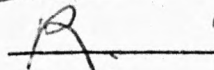
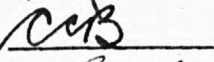
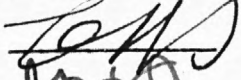
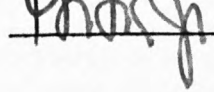
To: Members of the Board

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></u>
Gov. Mills	<u></u>
Gov. Robertson	<u></u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. King	<u></u>

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, July 12, 1961. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Masters, Associate Director, Division
of Examinations
Mr. Hooff, Assistant General Counsel
Mr. Goodman, Assistant Director, Division
of Examinations
Mr. Leavitt, Assistant Director, Division
of Examinations
Mrs. Semia, Technical Assistant, Office of
the Secretary

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on July 10, 1961, 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 Board and copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Item No.

1

Letter to The Northern New York Trust Company, Watertown, New York, approving the establishment of branches at 124 Washington Street, and 102 and 114 Stone Street.

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	<u>Item No.</u>
Letter to Bank of America, New York, New York, granting permission to increase its investment and that of Banca d'America e d'Italia in United Overseas Financial Corporation, Geneva, Switzerland.	2
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, granting permission to accept drafts or bills of exchange drawn for the purpose of furnishing dollar exchange.	3
Letter to Riverside Trust Company, Riverside, New Jersey, approving an investment in bank premises.	4
Letter to State National Bank of Decatur, Decatur, Alabama, approving its application for fiduciary powers.	5
Letter to The Citizens State Bank, Liberal, Kansas, Liberal, Kansas, approving the establishment of a drive-in branch.	6
Letter to the Comptroller of the Currency recommending favorably with respect to an application to organize a national bank at San Antonio, Texas.	7

Application of Dauphin Deposit Trust Company (Item No. 8). A memorandum from the Division of Examinations dated June 9, 1961, had been distributed submitting information pertinent to reconsideration of the application of Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, to merge with Camp Curtin Trust Company, also in Harrisburg. The application was denied by the Board in February 1961, and an oral presentation by the two banks concerned was heard by the Board on April 13, 1961. The memorandum, which summarized and commented upon statements made by representatives of the banks at the oral presentation, also noted that the

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Secretary of Banking for the State of Pennsylvania had written to the Board on April 7, 1961, stating the reasons why he had "concluded that the proposed merger meets the requirements for approval prescribed by the Pennsylvania Banking Code." It was noted in the memorandum that the Pennsylvania Banking Code did not specifically require consideration of the effect of a proposed merger on competition, including any tendency toward monopoly, whereas under section 18(c) of the Federal Deposit Insurance Act the Board must consider that factor. It was also noted that, although the Secretary of Banking favored the proposed merger, he had denied an application by Dauphin Deposit Trust Company to establish a branch in the Camp Curtin area and his denial was upheld by the Pennsylvania Supreme Court. The Pennsylvania Banking Code provides in effect that in approving a branch application the Department of Banking must find that a need exists in the area for the contemplated services and facilities. However, the Pennsylvania Supreme Court had ruled in effect that the Department of Banking did not have power to deny a merger application on the basis of a finding of lack of necessity. These inconsistencies in statutory requirements, it was suggested, might account for the denial of the branch application by the Secretary of Banking and his approval of the merger application.

At Chairman Martin's request, Mr. Sherman opened the discussion by reviewing the history of the case. The application was first considered by the Board on February 2, 1961, at which time all seven members of the

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Board were present. In presenting the case, the Division of Examinations had said that it was a close one, on which the Division arrived at a recommendation for denial although the Federal Reserve Bank of Philadelphia had recommended approval. The Board then decided on denial, Chairman Martin and Governors Szymczak, Robertson, and Shepardson favoring such action while Governors Balderston, Mills, and King favored approval. However, Governor King had stated that after weighing the considerations pro and con he found himself almost on dead center, and that he would approve because he did not find sufficient reasons for denial. Chairman Martin had also found the arguments about evenly balanced, but had indicated that in the circumstances he would accept the recommendation of the Division of Examinations. At the request of the applicant, the Board agreed to hear oral presentation, and a further memorandum from the Division of Examinations, prepared against the background of the oral presentation, had now been distributed. Also, as indicated in that memorandum, a letter had been received from the Pennsylvania Secretary of Banking giving his reasons for concluding that the merger was approvable under Pennsylvania statutes. At the oral presentation, applicant had requested that certain documents relating to the Board's consideration of the case be made available to it if the Board should leave its decision to deny the application unchanged.

Mr. Masters then commented on the Division memorandum of June 9 that had been distributed. A principal argument presented by the applicant

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in urging reversal of the Board's decision was that a substantial shift in population away from downtown Harrisburg had been going on for some years and seemed likely to continue. The suburban areas were experiencing industrial as well as residential growth, and as a consequence there was a need in these expanding areas for the broad-scale banking services that could be provided by the large downtown banks. Representatives of Camp Curtin Trust Company had expressed concern as to its ability to meet the growing loan demand occasioned by the development of the suburbs, and also to find earnings sufficient to expand, modernize, and introduce certain new services. The Camp Curtin bank doubted whether the strength and depth of its management was adequate to meet the changing needs. The argument that there was little competition between the two banks also was stressed. It was stated that only 16 per cent of Camp Curtin's deposits and 10 per cent of its loans came from the downtown area, and that elimination of such competition as existed would affect only 1 per cent of the total deposits in Dauphin and Cumberland Counties. Competition among Harrisburg banks had always been keen, it was said, and if the merger was approved substantial and vigorous competition would remain not only in Harrisburg but also in the two-county area. Two other fairly large banks would remain and six smaller banks, these eight operating 27 offices in all, and in addition there were several savings and loan associations as well as finance companies and credit unions. Although Dauphin was the largest bank in the area, it had only

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23 per cent of commercial deposits and 10.5 per cent of the offices in the two-county area. After the merger these percentages would increase to 28 and 17.5, respectively.

Reference was made at the oral presentation to a proposed merger of Central Trust Capital Bank, Harrisburg, with National Bank of York County, York, Pennsylvania, which, if approved, would put a bank with deposits of \$105 million in the area--slightly larger than aggregate deposits of the Dauphin-Camp Curtin banks. The Board's report on the competitive factors involved in the York-Harrisburg merger had been sent to the Comptroller of the Currency, but the latter had not yet announced a decision.

In sum, the representatives of the Dauphin and Camp Curtin banks had argued that their proposed merger would not result in any detrimental effect on competition or any significant tendency toward monopoly.

Continuing, Mr. Masters said the Division of Examinations had felt that the best area for studying competitive effects in this case was not the Dauphin-Cumberland County area. Instead, the Division believed that a more realistic and accurate picture was presented by studying the metropolitan area of Harrisburg, including fringe portions of Dauphin and Cumberland Counties. In the latter area, there were 11 banks with 37 offices. Dauphin Deposit Trust Company had 29 per cent of the deposits in this more restricted area and 16 per cent of the offices. If the merger were approved, these percentages would rise to

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36 and 27, respectively--much more substantial percentages than if the two-county area were considered. Camp Curtin Trust Company had nearly 7 per cent of the deposits in the metropolitan Harrisburg area, and Dauphin Deposit had substantial deposits in the Camp Curtin area. Therefore, the Division of Examinations considered that these banks, less than two miles apart, were reasonably competitive. On review of the material presented at the April 13 oral presentation, it appeared to the Division that no new facts had been brought forth that would provide a basis for reversal of the Board's denial of the application except the possible effect of the proposed merger of the York-Harrisburg banks, with the resultant realignment of the relative size of the larger Harrisburg banks.

In reply to a question regarding the proposed Harrisburg-York merger, it was recalled that the Board's report on competitive factors had not been adverse. The banks were 27 miles apart, and the Board concluded that the merger would not result in any substantial diminution of competition.

Question then was raised whether it would be advisable to defer reconsideration of the Dauphin-Camp Curtin merger until the Comptroller of the Currency had reached a decision on the York-Harrisburg merger. After discussion of this point, however, it was decided to proceed to a vote on the Dauphin matter.

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Governor Mills stated that he found no reason to alter his previous position in favor of approval of the merger. Considering either the two-county area or the metropolitan Harrisburg area, he felt there were persuasive arguments to justify the merger. Within the Harrisburg community itself, the effect would be to expand and consolidate the services of two institutions already providing facilities in the area. If the merger were carried out, there was no reason why at some future date others who might see opportunities in the area would be precluded from entering into competition. In his view, there were more than equal prospects, given time, that if a bank resulting from a merger prospered, alert businessmen and financiers would see an opportunity to enter the competitive field. He also considered that the Board could be in error if it restricted its judgment of the competitive effect to the confines of a city, without taking into consideration the broad trend of population to move to the suburbs, where alternative sources of banking facilities were available. As for the proposed merger of the York-Harrisburg banks, the Board had in effect interposed no objection in making its report on competitive factors, and it would be inconsistent, in his judgment, to have taken a favorable attitude toward that merger and then act unfavorably on the Dauphin case.

Governor Robertson expressed the view that the Division of Examinations was correct in its conclusion that there was substantial competition between Dauphin Deposit Trust Company and Camp Curtin Trust Company. If

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so, this meant that the Board was precluded under the statute from approving the merger unless other factors outweighed the elimination of competition. In this instance, the case presented by the so-called banking factors appeared to him very weak, and therefore he did not see how the Board could do anything other than disapprove. He saw no comparison with the York-Harrisburg case. In that case, where the Board's responsibility went only to reporting on the competitive factors involved, the institutions were located in cities more than 20 miles apart and served separate areas, whereas in the Dauphin case the two banks were less than two miles apart.

Governor Shepardson stated that he had found this case difficult when it was first considered by the Board. One thing that had concerned him was Dauphin's history of growth through mergers. It had not been clear to him why, if the bank wanted to follow its customers to the suburbs, it had not proceeded by way of establishing branches in the outlying areas. That point had been clarified to some extent at the oral presentation and in the Division memorandum. Dauphin had tried to establish a branch in the Camp Curtin area, but apparently had been precluded from doing so because of differences in Pennsylvania statutes as to the factors that must be considered for the establishment of branches and those that must be considered for approval of a merger. He believed that there was merit in the contention that city banks should be permitted to move to suburban areas with their potential and existing clientele.

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Governor Shepardson also observed that a point had been made by the representatives of Camp Curtin Trust Company with regard to a problem of adequate management succession. Although the position might be taken that a bank of this size ought to be able to obtain competent executives, he was not sure that this was always possible. Having in mind that his vote for denial in the earlier consideration of the case was influenced to a considerable extent by the feeling that Dauphin was expanding too much through mergers rather than through branches, whereas it now appeared that the branching device was not available to it, at least in this particular situation, Governor Shepardson said he was inclined to change his position and vote for approval of the merger.

Governor King reaffirmed his previous vote for approval, as did Governor Balderston, the latter expressing agreement with the reasons stated by Governors Mills and Shepardson.

Chairman Martin stated that he also would vote for approval. The case was so close, he thought, that denial would be difficult to justify, and he had been impressed with the oral presentation.

Accordingly, the merger application of Dauphin Deposit Trust Company was approved, Governor Robertson dissenting for the reasons he had stated. A copy of the letter sent to the member bank pursuant to this action is attached as Item No. 8.

The meeting then adjourned.

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Secretary's Notes: Pursuant to the understanding at meetings of the Board on September 16, 1960, and June 28, 1961, with reference to hearings on (1) an application of Otto Bremer Company, St. Paul, Minnesota, for a determination under section 4(c)(6) of the Bank Holding Company Act of 1956 and (2) a proceeding relating to adequacy of the capital of The Continental Bank and Trust Company, Salt Lake City, Utah, a letter was sent on July 11, 1961, to the National Labor Relations Board requesting an extension of the detail to the Board of Mr. Charles W. Schneider, Hearing Examiner, for six months from July 15, 1961, on the same terms as his present detail.

A request having been received from Chairman Spence of the House Committee on Banking and Currency for a report on H.R. 6725, a bill to require the disclosure of finance charges in connection with extensions of credit which was identical with S. 1740, on which the Board reported to the Senate Banking and Currency Committee on July 6, 1961, there was sent to Chairman Spence on July 11, 1961, a report on H.R. 6725 similar to that transmitted with regard to S. 1740. A copy of the letter is attached as Item No. 9.

In accordance with the understanding at the meeting of the Board on June 27, 1961, there was sent today, with the concurrence of Governor Shepardson, a letter to the Executive Secretary of the Administrative Conference of the United States transmitting a check for \$1,000 to assist in meeting expenditures of the Conference during the fiscal year 1962.

On July 11, 1961, Governor Shepardson approved on behalf of the Board a letter to the Federal Reserve Bank of New York (attached Item No. 10) approving the appointment of John Gritzek as assistant examiner.


Secretary

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

Item No. 1
7/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 12, 1961

Board of Directors,
The Northern New York Trust Company,
Watertown, New York.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of branches at 124 Washington Street, 102 Stone Street, and 114 Stone Street, Watertown, New York, by The Northern New York Trust Company, Watertown, New York. This approval is for a temporary period until the bank building and renovation program at 118-124 Washington Street is completed, but in no event beyond 1963.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 2
7/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 12, 1961.



Bank of America,
41 Broad Street,
New York 15, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of June 13, 1961, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants its consent to:

- (1) Bank of America to contribute 20 per cent of the capital increase of United Overseas Financial Corporation and to receive capital shares of corresponding value, amounting to Swiss Francs 500,000 (approximately US\$116,250 equivalent); and
- (2) Banca d'America e d'Italia to contribute 10 per cent of the capital increase of United Overseas Financial Corporation and to receive capital shares of corresponding value, amounting to Swiss Francs 250,000 (approximately US\$58,125 equivalent).

The Board's consent is granted subject to the same conditions as stated in the Board's letter of March 23, 1961, consenting to certain actions in connection with the organization of United Overseas Corporation (now United Overseas Financial Corporation) and United Overseas Bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 3
7/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 12, 1961

Fidelity-Philadelphia Trust Company,
Broad and Walnut Streets,
Philadelphia 9, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System authorizes your Bank, pursuant to the provisions of Section 13 of the Federal Reserve Act, to accept drafts or bills of exchange for the purpose of furnishing dollar exchange as required by the usages of trade in such countries, dependencies, or insular possessions of the United States as may have been designated by the Board of Governors, subject to the provisions of the Federal Reserve Act and the Board's Regulation C issued pursuant thereto. Section 13 of the Federal Reserve Act provides that no member bank shall accept such drafts or bills in an amount exceeding at any one time the aggregate of one-half of its paid-up and unimpaired capital and surplus.

The right is reserved to terminate this authorization upon 90 days' notice to your Bank as provided in the Regulation.

Enclosed is a list of the countries with respect to which the Board of Governors has found that the usages of trade require the furnishing of dollar exchange. The Board of Governors may at any time, after 90 days' published notice, remove from such list the name of any country, dependency, or insular possession contained therein.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Enclosure

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

Item No. 4
7/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 12, 1961

Board of Directors,
Riverside Trust Company,
Riverside, New Jersey.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$11,000 in bank premises by Riverside Trust Company, Riverside, New Jersey, for the purpose of purchasing and improving a plot of ground for use as a parking lot.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 5
7/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 12, 1961



Board of Directors,
State National Bank of Decatur,
Decatur, Alabama.

Gentlemen:

The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers and grants State National Bank of Decatur authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Alabama. The exercise of such rights shall be subject to the provisions of Section 11(k) of the Federal Reserve Act and Regulation F. of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers that your bank is now authorized to exercise will be forwarded in due course.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 6
7/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 12, 1961



Board of Directors,
The Citizens State Bank,
Liberal, Kansas,
Liberal, Kansas.

Gentlemen:

Pursuant to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors of the Federal Reserve System approves the establishment by The Citizens State Bank, Liberal, Kansas, of an in-town, walk-up, drive-in branch to be located at the rear of the present bank building across an alleyway on leased building lots, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 7
7/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 12, 1961

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 April 20, 1961, enclosing copies of an application to organize a national bank in the Valley-Hi area (on Interstate Highway 410 one mile south of Highway 90 West), San Antonio, Bexar County, Texas, and requesting a recommendation as to whether or not the application should be approved.

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 factors considered in connection with such applications. Accordingly, the Board of Governors recommends approval of the application to organize a national bank at San Antonio, Texas.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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

Item No. 8
7/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



Board of Directors,
Dauphin Deposit Trust Company,
Harrisburg, Pennsylvania.

July 12, 1961

Gentlemen:

The Board of Governors has reconsidered, on the basis of all available information, including that submitted during the oral presentation on April 13, 1961, and in subsequent letters from Morgan, Lewis & Bockius, the application of your bank for consent under the provisions of section 18(c) of the Federal Deposit Insurance Act (12 U.S.C., sec. 1828(c)) to merge with Camp Curtin Trust Company, Harrisburg, Pennsylvania, and for approval to operate branches in the present locations of the offices of Camp Curtin Trust Company.

After careful consideration of the matter in the light of all factors set forth in the statute, the Board hereby consents to the merger of Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, and Camp Curtin Trust Company, Harrisburg, Pennsylvania, as it finds the transaction to be in the public interest. The Board also approves the operation of branches by the continuing bank at:

2022-2024 N. Sixth Street, Harrisburg;
Division Street east of Seventh Street, Harrisburg;
543-545 Maclay Street, Harrisburg; and
4636 Jonestown Road, Lower Paxton Township, Dauphin County.

This approval is given provided:

- (1) the proposed merger is effected within six months from the date of this letter and substantially in accordance with the Joint Plan of Merger as adopted by the boards of directors of both banks on October 14, 1960; and
- (2) shares of stock acquired from dissenting shareholders are disposed of within six months from the date of acquisition.

Very truly yours,

(Signed) Elizabeth L. Carmichael
Elizabeth L. Carmichael,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 9
7/12/61

OFFICE OF THE CHAIRMAN

July 11, 1961

The Honorable Brent Spence,
Chairman,
Committee on Banking and Currency,
House of Representatives,
Washington 25, D. C.

Dear Mr. Chairman:

This is in response to your request of May 4, 1961, for a report on H.R. 6725, a bill "To assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit."

The bill would require a person engaged in the extension of credit to furnish to the person to whom credit is extended, prior to the consummation of the transaction, a statement in writing setting forth, to the extent applicable and in accordance with rules and regulations prescribed by the Board of Governors of the Federal Reserve System, among other items, (1) the finance charge expressed in dollars and cents, and (2) the percentage that the finance charge bears to the total amount to be financed expressed as a simple annual rate on the outstanding unpaid balance of the obligation.

As stated in our report on H.R. 9515, a similar bill introduced in the Congress last year, the Board is in full accord with the objective of requiring lenders and venders to tell the truth about interest rates and finance charges. The regulation of trade practices in stating credit charges, where necessary to prevent deception of borrowers, surely is a desirable social objective.

We also pointed out, in our report last year, that extension of the Board's duties into the field of trade practices as contemplated by the bill would be foreign to the Board's present responsibilities, which are principally in the field of monetary and credit regulation through the banking system. We reaffirm the position we took last year that the administration of such legislation would not constitute an appropriate activity for the Federal Reserve System.

Regarding the effect of disclosure of finance charges in preventing excessive and untimely use of credit by consumers, the Board's studies indicate that moderation of the cyclical expansion and

The Honorable Brent Spence

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contraction of consumer instalment credit reflects in large part changes in the availability of credit to consumer lenders. Such changes in availability are responsive to general monetary policy and are reflected primarily in the application of more or less restrictive standards or terms rather than in higher or lower finance charges.

Finance charges on consumer credit have not changed greatly over the course of recent business cycles, and consumer borrowers have not appeared particularly responsive to such variations as have taken place. This is not to say that greater consumer awareness of interest rates may not influence the over-all pattern of their spending, but this effect would seem to be more in the nature of a long-run rather than a cyclical change. Greater consumer awareness of interest rates charged by various lenders may also, of course, enable them to make a more rational choice among lenders.

In sum, the Board endorses the objective of requiring adequate disclosure of finance charges, but it feels that it would not be appropriate for the monetary authority to administer what would be, essentially, a trade practices statute.

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. 10
7/12/61

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 11, 1961



Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Crosse:

In accordance with the request contained
in your letter of July 5, 1961, the Board approves
the appointment of John Gritzek as an assistant ex-
aminer for the Federal Reserve Bank of New York.
Please advise the effective date of the appointment.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.