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Minutes for January 17, 1962

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

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. King

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on  
Wednesday, January 17, 1962. The Board met in the Board Room at 9:30 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. Shay, Assistant General Counsel  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Mr. Veret, Attorney  
Mr. McClintock, Review Examiner, Division of  
Examinations

Application of Hackensack Trust Company (Items 1 and 2).

Pursuant to the decision reached by the Board on January 11, 1962, approving the application of The Hackensack Trust Company, Hackensack, New Jersey, for permission to merge with The Bank of Saddle Brook and Lodi, Saddle Brook, New Jersey, and discussion at the meeting on January 12 of draft documents prepared in reflection of that decision, there had been distributed, with a memorandum from the Legal and Examinations Divisions dated January 16, revised drafts of an order and supporting statement, along with language suggested for inclusion in the transmittal letter to Hackensack Trust with regard to the capital position of that bank. There had also been distributed copies of suggestions by

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Governor Mitchell for amendment of the statement and of the letter to Hackensack Trust Company.

In explanation of his suggestions, Governor Mitchell said it did not seem to him that the revised draft of statement was sufficiently specific with respect to the key reason for approval of the merger, namely, the continued dissension within the ranks of management of The Bank of Saddle Brook and Lodi. As to the other revisions that he had suggested, he had no strong feeling.

Governor Robertson said he was not particularly concerned about the form of statement issued on the Hackensack application. However, he would like to suggest certain changes in format that might be appropriate in this and other cases of a routine nature where approval was given without dissenting votes. Governor Robertson then related his suggested changes, following which he commented that he thought every essential point would be covered. In his opinion, the Board should get away, in routine cases, from the use of a pattern in which reference was made specifically to all of the statutory factors required to be considered in a case of this kind.

Governor Robertson also suggested a change in the letter to Hackensack Trust Company.

Mr. Hackley commented, with regard to the form of statement suggested by Governor Robertson, that it was true that the Legal Division had been following a pattern in drafting statements on merger cases. He

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saw no legal reason why a shorter form such as outlined by Governor Robertson could not be used in some instances. This might expedite, on some occasions, the drafting of statements for the Board's consideration. On the other hand, he would not want to see any statements, even in routine cases, abbreviated to a point where they did not cover the essential points related to the statutory factors. As long as the Board was making a record, that record should be unassailable.

Governor Mills commented that when the Board used a formula statement, it was following a practice well known to those who were most interested in the subject. The Board's statements were written principally for lawyers, whose reasoning should be facilitated if they were able to compare a particular statement against others. The Board might think of the Hackensack application as a routine case, but there might be others who would take a different view regarding the case and think that the Board's decision was wrong. In such circumstances, he felt there was much to be said for following a standard formula in the issuance of merger statements.

Mr. Shay noted that in the Manufacturers Trust-Hanover Bank case a "basis for approval" was prepared after the Board's decision was reached. This statement presented conclusions only, without an analysis of the facts, and there was some criticism of it for that very reason. While certain cases might be regarded by the Board as quite simple, nevertheless the outsider might look for something in the nature of an analytical document.

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The discussion then more specifically turned to the Hackensack case, and Governor Robertson repeated that he had no strong view with regard to the type of statement to be issued in this particular case. On the broader question of the form of statement used in routine cases, he felt that the Board was using a lot of language for little purpose.

Governor Mitchell commented that as he read the statement proposed to be issued in the Hackensack case, it had occurred to him that too many words had been used to describe essential facts and that the critical factor on which the decision turned was so obscure as to make it difficult to tell why the decision actually was made.

With reference to this comment, Mr. Shay pointed out that a lot of people would be reading the Board's statements and looking for different things. The fact that the Board's principal reason for its action was not underscored in such statements might have some advantage. Readers with various sentiments would be looking for possible points of attack, and a broader statement that covered the various aspects of a case and did not over-emphasize any one reason for approval might be helpful.

Chairman Martin agreed with the view that the statements of the Board ought to be as clear as possible. However, it was his thought that the decision as to the format of the statements might best be left to the Legal Division.

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There followed further discussion of the revised draft of statement on the Hackensack case and of the language suggested for inclusion in the letter to the bank with regard to its capital position. After several views had been expressed concerning the manner in which the letter might most appropriately be framed, revised language was suggested by Mr. Solomon and agreement with it was expressed.

The order and statement were then authorized for issuance in the form attached as Items 1 and 2, respectively. The language in the letter to The Hackensack Trust Company, as agreed upon, was as follows:

The New Jersey Department of Banking and Insurance felt the matter of The Hackensack Trust Company's capital position sufficiently serious to make approval of your latest branch application conditional on providing additional capital. The fact that a similar condition was not attached to the Board's approval of this merger does not mean it is indifferent to the need for more capital in the merged institution; to the contrary, the Board wishes to re-emphasize the need for further strengthening the bank's capital position.

The meeting then adjourned.

Secretary's Notes: At 10:00 a.m. the Board heard a public oral presentation on the application of Whitney Holding Corporation, New Orleans, Louisiana, for consent to certain actions that would cause it to become a bank holding company. A stenographic record of the proceeding was made, and a copy of the transcript has been placed in the Board's files.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

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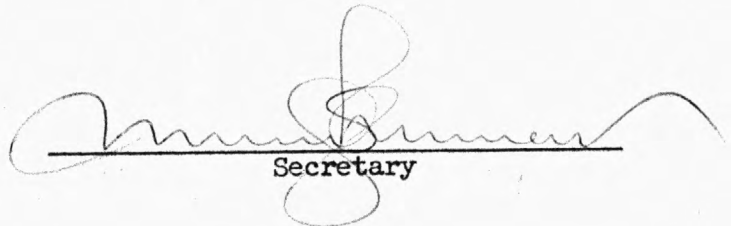
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Appointment

Robert G. Sampson, as Personnel Technician in the Division of Personnel Administration, with basic annual salary at the rate of \$5,325, effective the date of entrance upon duty.

Salary increase, with change in title

Pearle E. Randour, from \$5,820 to \$6,015 per annum, with a change in title from Statistical Assistant to Supervisor, Reserve-Member Banks Statement Unit, in the Division of Bank Operations, effective January 21, 1962.



Secretary

Item No. 1  
1/17/62

UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C.

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In the Matter of the Application of  
THE HACKENSACK TRUST COMPANY  
for approval of merger with  
The Bank of Saddle Brook & Lodi  
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ORDER APPROVING MERGER OF BANKS

There has come before the Board of Governors, pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1823(c)), an application by The Hackensack Trust Company, Hackensack, New Jersey, for the Board's prior approval of the merger of The Bank of Saddle Brook & Lodi, Saddle Brook, New Jersey, with and into The Hackensack Trust Company, under the charter and title of the latter.

Pursuant to said section 18(c), notice of the proposed merger, in form approved by the Board of Governors, has been published, and reports on the competitive factors involved in the proposed transaction have been furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice and have been considered by the Board.



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IT IS ORDERED, for the reasons set forth in the Board's Statement of this date, that said merger be, and hereby is, approved, provided that said merger shall not be consummated (a) sooner than seven calendar days after the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 17th day of January, 1962.

By order of the Board of Governors.

Voting for this action: Unanimous, with all members present.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

Item No. 2  
1/17/62

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

APPLICATION BY THE HACKENSACK TRUST COMPANY,  
FCR APPROVAL OF MERGER WITH  
THE BANK OF SADDLE BROOK & LODI

STATEMENT

The Hackensack Trust Company, Hackensack, New Jersey ("Hackensack Trust"), has applied, pursuant to section 18(c) of the Federal Deposit Insurance Act, for the Board's approval of the merger of that bank with The Bank of Saddle Brook & Lodi, Saddle Brook, New Jersey ("Saddle Brook Bank"). Under the Agreement of Merger, the Banks would merge under the charter and title of Hackensack Trust; and the main office and single branch of Saddle Brook Bank would become branches of the resulting bank.

Under the law, the Board is required to consider (1) the financial history and condition of each of the banks involved, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act, (6) the convenience and needs of the community to be served, and

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(7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the transaction unless, after considering all these factors, it finds the transaction to be in the public interest.

For convenience, the first five of these factors may be considered together as "banking factors". The sixth and seventh factors are considered separately.

Banking factors. - The financial history and condition of Hackensack Trust are regarded as generally satisfactory, and this should hold true also for the resulting bank, although the capital structure of the resulting bank will continue to reflect a need for some strengthening. The Saddle Brook Bank, which opened for business in November 1958, has enjoyed unusually rapid growth, but has not been able to reconcile basic management differences which must be settled if the bank is to serve the community satisfactorily and provide adequate incentive to its stockholders. Hackensack Trust is competently operated, and it appears that the resulting bank would have competent, unified management and that this would remedy the principal problem faced to date by the Saddle Brook Bank. The prospects for earnings of Hackensack Trust are favorable and this same prospect would apply to the resulting bank. There is no evidence that the corporate powers of the banks are or would be inconsistent with the Federal Deposit Insurance Act.

Consideration of the banking factors, therefore, lends substantial support for approval of the merger.

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Convenience and needs of the communities to be served. -

Hackensack Trust's main office is in Hackensack (population: 30,500), the county seat of Bergen County, in northeastern New Jersey, near New York City. The bank maintains one in-town branch and another branch in South Hackensack; other approved or proposed branches are at three locations outside the Saddle Brook - Lodi areas. Hackensack is located about six miles east of Paterson (population: 143,600), the largest city in the county. In view of the banking facilities available in the Hackensack area, it appears that the effect of the proposed merger on the convenience and needs of this area would be of no significance.

The township of Saddle Brook (population: 14,000) is located midway between Hackensack and Paterson. The township is a mixed residential and industrial community which has experienced substantial growth in recent years, and prospects for further growth are favorable. The main office of Saddle Brook Bank is the only commercial banking office in the township, although several offices of other banks are located in surrounding communities. As indicated by its rapid growth, Saddle Brook Bank has filled a public need in the township. With improved management and resulting benefits, there is every reason to believe that this growth will continue.

Lodi (population: 23,500), contiguous to Saddle Brook on the south, is served by an office of a large commercial bank in addition to the branch of Saddle Brook Bank. This community has recently launched a program of urban renewal which offers fair prospects for municipal growth

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The resulting bank would make available in Saddle Brook and Lodi the broader range of services now offered by Hackensack Trust but not offered by Saddle Brook Bank. Among these are fiduciary services, FHA mortgage loans, urban renewal loans, and other commercial and personal financing and banking services. Therefore, the convenience and needs of the Saddle Brook and Lodi communities would be served by the proposed merger.

Competition. - The proposed merger would increase Hackensack Trust's \$46.7 million of IPC deposits (deposits of individuals, partnerships, and corporations) from about 6 to 7 per cent of the county's IPC deposits, but would not change its position as the fourth largest bank in the county. The resulting bank would continue to be substantially smaller than the two larger banks with offices in the Hackensack area (with IPC deposits of \$140.3 million and \$97.8 million). Saddle Brook Bank now has \$8.5 million in IPC deposits.

Only nominal percentages of each merging bank's deposits and loans originate in the service area of the other, and only three depositors and one borrower do business with both banks. Although the offices of the merging banks are grouped in a relatively small area, most of Saddle Brook Bank's competition appears to be from banking offices of other commercial banks located in the communities separating the service area of Hackensack Trust and Saddle Brook Bank. Banks in other neighboring communities significantly closer to Saddle Brook Bank than offices of Hackensack Trust provide additional competition.

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Within a radius of about 1.5 miles of each of the 5 offices of the merging banks, there are 19 offices of 11 other commercial banks. In view of this dense concentration of banking offices, the merger probably would not unfavorably affect competition, but would tend to enhance competition through the extension of the operations of Hackensack Trust into the Saddle Brook area.

Summary and conclusion. - It appears that the Saddle Brook area will experience substantial growth and increased business activity. The capacity of Hackensack Trust to supply experienced management and broader banking services will benefit the residents of that area. There is practically no overlapping of the primary service areas of Saddle Brook Bank and Hackensack Trust, and the competition that would be eliminated by the merger would not be significant. In fact the entry of Hackensack Trust into the Saddle Brook - Lodi area would result in increased competition since that bank would then be able to compete more effectively with the offices of other banks operating in and near that area.

For these reasons the Board finds that the proposed merger would be in the public interest.

January 17, 1962.