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Minutes for October 15, 1963

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

W

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

CCB

Gov. Shepardson

[Signature]

Gov. Mitchell

LM

Minutes of the Board of Governors of the Federal Reserve System on Tuesday, October 15, 1963. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Hexter, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Thompson, Assistant Director, Division of Examinations
Mr. Mattras, General Assistant, Office of the Secretary
Mr. Bakke, Senior Attorney, Legal Division
Mr. Hricko, Senior Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on October 14, 1963, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

Item No.

Letter to Byron Center State Bank, Byron Center, Michigan, approving the establishment of a branch in Jamestown.	1
Letter to Lawrence & Stegall Ranches, Inc., Phoenix, Arizona, granting a determination exempting it from all holding company affiliate requirements, except for purposes of section 23A of the Federal Reserve Act.	2

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Application of Wells Fargo Bank (Item No. 3). There had been distributed a memorandum from the Division of Examinations dated October 10, 1963, regarding an application from Wells Fargo Bank, San Francisco, California, for permission to establish a branch that would be located initially in temporary quarters in the Gregory Gardens Shopping Center, Pleasant Hill, and would later be moved about three-quarters of a mile to its permanent site in a shopping center to be developed in the vicinity of Willow Pass Road, Taylor Boulevard, and Pacheco Boulevard, Concord, California.

Mr. Leavitt commented on the memorandum and noted the Division's recommendation that permission be denied for the establishment of a branch at the temporary location, but that permission be granted for the establishment of a branch at the permanent site, if established within a two-year period. He pointed out that the new shopping center where the branch would be located permanently was not expected to be completed for about two years, and this would provide additional time for the nearby Mount Diablo First National Bank, which was recently opened, to become more firmly established.

Governor Mills said that, although it was "touch and go," he was somewhat inclined to deny the application. A large bank such as Wells Fargo could take care of itself in any circumstances but the success of the small Mount Diablo Bank was less certain. If it so desired, Wells Fargo could file later an application for a branch in the shopping center

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as that development neared completion. When Mr. Leavitt noted that in the interim national banks might successfully file applications for branches in the area, Governor Mills cautioned against a temptation on the part of supervisory agencies to favor unduly institutions over which they exercised supervision. In this case, however, the Reserve Bank had recommended denial. In answer to a question, Mr. Leavitt stated that the Federal Reserve Bank of San Francisco had subsequently expressed agreement with the type of recommendation made by the Division of Examinations.

Governor Mitchell said that he would concur in the recommendation of the Division of Examinations, since it might be regarded a fair compromise that took into account the various factors involved. Chairman Martin and Governor Balderston also indicated that they would approve the action recommended by the Division.

Governor Mills then said that he did not regard the particular case as of critical importance. However, he continued to have reservations about the tendency of the large banks in the State of California to file applications for branches long before the establishment of the physical facilities. He noted that this matter had been discussed by the Board on numerous occasions and had also been discussed with the San Francisco Reserve Bank. He felt that at some point the Board might wish to take a more decisive stand with regard to this practice. It appeared, he added, that the situation was complicated by the apparent willingness of the State Superintendent of Banks to go along with the practice.

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The Board then approved the recommendation of the Division of Examinations. A copy of the letter sent to Wells Fargo Bank reflecting this action is attached to these minutes as Item No. 3.

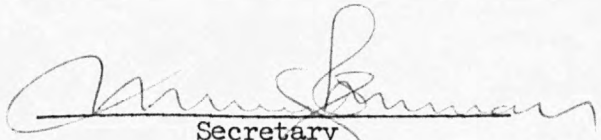
Messrs. Hooff, Leavitt, Thompson, and Bakke then withdrew from the room.

Application of Bank of South Haven (Items 4 and 5). Pursuant to the decision reached at the meeting on October 8, 1963, there had been distributed a proposed order and statement reflecting the Board's approval of the application of Bank of South Haven, South Haven, Michigan, to acquire the assets and assume the liabilities of Peoples State Bank of Bloomingdale, Bloomingdale, Michigan.

After discussion, the issuance of the order and statement was authorized. Copies are attached to these minutes as Items 4 and 5.

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from the Division of Administrative Services, Governor Robertson, acting in the absence of Governor Shepardson, today approved on behalf of the Board an adjustment in the basic annual salary of John I. Mitchell from \$4,701 to \$3,245, with a change in title from Operating Engineer's Helper to Laborer in that Division, effective the date of entrance upon his new duties. (This action reflected a transfer to a vacant position to provide continued employment for Mr. Mitchell, who had been employed temporarily in a dual occupancy position status.)


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 1
10/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1963

Board of Directors,
Byron Center State Bank,
Byron Center, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Byron Center State Bank, Byron Center, Michigan, of a branch at 3208 24th Avenue, S. W., in the unincorporated village of Jamestown, Jamestown Township, Ottawa County, Michigan, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON 25, D. C.

Item No. 2
10/15/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1963.



Mr. Harry J. Cavanagh,
Lawrence & Stegall Ranches, Inc.,
5001 East Washington,
Phoenix, Arizona.

Dear Mr. Cavanagh:

This refers to the request contained in a letter dated September 28, 1963, from John A. Moore, Esq., submitted to the Federal Reserve Bank of San Francisco, for a determination by the Board of Governors of the Federal Reserve System as to the status of Lawrence & Stegall Ranches, Inc. ("Ranches"), as a holding company affiliate.

From the information presented, the Board understands that Ranches is engaged generally in the operation and development of a cattle and ranch business; that it is a holding company affiliate by reason of the fact that it owns 1,330 of the 1,500 outstanding shares of stock of The Alamosa National Bank, Alamosa, Colorado; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts the Board has determined that Ranches 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 (12 U.S.C. 221a); and, accordingly, it 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.

If, however, the facts should at any time indicate that Ranches 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

Mr. Harry J. Cavanagh

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and make further determination of this matter at any time on the basis of the then existing facts. Particularly, should future acquisitions by or activities of Ranches result in its attaining a position whereby the Board may deem desirable a determination that Ranches is engaged as a business in the holding of bank stock, or the managing or controlling of banks, the determination herein granted may be rescinded.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Item No. 3
10/15/63



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1963

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wells Fargo Bank, San Francisco, California, in the vicinity of the intersection of Willow Pass Road, Taylor and Pacheco Boulevards, Concord, California, provided the branch is established within two years from the date of this letter. The Board does not, however, approve the establishment of this branch in the proposed temporary quarters which are located in the vicinity of Pacheco Boulevard and Doris Drive, Pleasant Hill, California.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

UNITED STATES OF AMERICA

Item No. 4

10/15/63

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

BANK OF SOUTH HAVEN

for approval of acquisition of assets of

Peoples State Bank of Bloomingdale

ORDER APPROVING ACQUISITION OF BANK'S ASSETS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by Bank of South Haven, South Haven, Michigan, a member bank of the Federal Reserve System, for the Board's prior approval of its acquisition of assets of and assumption of deposit liabilities in Peoples State Bank of Bloomingdale, Bloomingdale, Michigan. As an incident to such application, Bank of South Haven, the title of which will be changed to Citizens Trust and Savings Bank, has applied, under section 9 of the Federal Reserve Act, for the Board's prior approval of the establishment of a branch by that bank at the present location of Peoples State Bank. Notice of the proposed acquisition of assets and assumption of deposit liabilities, in form approved by the Board of Governors, has been published pursuant to said Bank Merger Act.

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Upon consideration of all relevant material, including the reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Department of Justice on the competitive factors involved in the proposed transaction,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said applications be and hereby are approved, provided that said acquisition of assets and assumption of deposit liabilities and establishment of a branch shall not be consummated (a) within seven calendar days following the date of this Order, or (b) later than three months after said date.

Dated at Washington, D. C., this 15th day of October, 1963.

By order of the Board of Governors.

Voting for this action: Vice Chairman Balderston, and Governors Mills, Shepardson, and Mitchell.

Absent and not voting: Chairman Martin and Governor Robertson.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 5
10/15/63BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMAPPLICATION BY BANK OF SOUTH HAVEN
FOR PRIOR APPROVAL OF ACQUISITION OF ASSETS OF
PEOPLES STATE BANK OF BLOOMINGDALESTATEMENT

Bank of South Haven, South Haven, Michigan, with deposits of \$14.5 million,* has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of its acquisition of assets, and assumption of the deposit liabilities, of Peoples State Bank of Bloomingdale, Bloomingdale, Michigan ("Bloomingdale Bank"), with deposits of \$2.3 million.*

Incident to such application, Bank of South Haven, the title of which would be changed to Citizens Trust and Savings Bank, also has applied, under section 9 of the Federal Reserve Act (12 U.S.C. 321), for the Board's prior approval of the establishment of a branch at the location of the sole office of Bloomingdale Bank, increasing the number of offices of Bank of South Haven to two.

Under the Act, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition, (2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate

* Deposit figures as of June 29, 1963.

powers are consistent with the purposes of 12 U.S.C., Ch. 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the community to be served, and (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.

Banking factors. - Each bank has a satisfactory financial history dating back to the troubled financial period of the 1930's. The banks also have satisfactory asset conditions and their capital structures are adequate, and this would hold true for the acquiring bank.

Bank of South Haven has a good earnings record and its future earnings prospects are regarded as favorable. For recent years Bloomingdale Bank's net current earnings have been below the average of Michigan member banks of comparable size in the Seventh Federal Reserve District. Consummation of the proposal would be expected to provide a basis for improved earnings for what would then be the acquiring bank's Bloomingdale office; and the earnings prospects of the acquiring bank would appear to be favorable.

The management of Bank of South Haven is capable and aggressive. Bloomingdale Bank, primarily because of its size and recent earnings experience, lacks depth in experienced management. Effectuation of the transaction would solve this problem of Bloomingdale Bank and aid the acquiring bank, which would add to its staff the competent, experienced senior officer of Bloomingdale Bank.

No inconsistency with the purposes of 12 U.S.C., Ch. 16 is indicated.

Convenience and needs of the communities. - South Haven, Michigan, is located on the eastern shore of Lake Michigan 44 miles northwest of Kalamazoo. It has a population of approximately 6,200 and serves a trade area with an estimated additional population of 12,000. The economy of the area is dependent on local industry, agriculture, and summer resort activity.

The manufacture of automotive parts is the principal industrial activity of the area while fruit growing comprises the bulk of the agricultural pursuits. Although the area has shown only a modest population growth in the last 20 years, it is anticipated that the new interstate highway system passing through the area will accelerate its future growth.

Bloomington, Michigan, with a population of 471, is located 19 miles east of South Haven and 23 miles northwest of Kalamazoo. Its trade area includes an additional estimated 5,000 population. The economy of the area is supported primarily by agriculture, dairying, grain and fruit growing being the principal activities. Some of the residents of the Bloomington area commute to and from industrial employment in Kalamazoo.

The acquiring bank would be able to offer a higher lending limit to customers of Bloomington Bank, which is now limited to \$18,500 or upon approval of two-thirds of the directors to \$37,000. The lending

limit of the acquiring bank is \$150,000, or \$300,000 with the directors' approval. In addition, trust services would become available in the Bloomingdale area, which is now dependent on such services principally at banks in Kalamazoo. Bank of South Haven is negotiating for the services of an experienced agriculturist to handle its farm loans, and these services would become available to farmers in the Bloomingdale area through the proposed branch. Bank of South Haven also is presently installing a drive-in facility and, if the proposed transaction is consummated, would provide a similar facility in Bloomingdale.

These increased services and resources clearly would have a beneficial effect on the convenience and needs of the Bloomingdale area.

Competition. - The banks are the only banking offices located in their respective cities; neither operates any branches. Their offices are 19 miles apart, and consummation of the proposed transaction would eliminate only a minor amount of competition.

Bloomingdale Bank's strongest competition is provided by the First National Bank and Trust Company of Kalamazoo, which has deposits of approximately \$96.5 million*, and which operates 11 banking offices, including a branch at Gobles, Michigan, 5 miles southeast of Bloomingdale. There are four other banks which have offices in the service areas of the participating banks. However, because these other banking offices are situated 10 to 21 miles from Bloomingdale, it is improbable that effectuation of the proposal would have any significant effect on their competitive situations.

* Deposit figure as of June 29, 1963.

Savings and loan associations in Kalamazoo secure real estate loans in the service area of the Bank of South Haven, and three large banks in Kalamazoo solicit automobile trade paper in the service areas of each of the participating banks.

There is no evidence that consummation of the proposed transaction would have any adverse competitive effects on other banks with offices in the service areas of the participating banks; rather, it appears that there would be a stimulation of competition in the Bloomingdale area.

Summary and conclusion. - The acquisition of Bloomingdale Bank by Bank of South Haven would provide expanded banking services and resources to better serve the people of the Bloomingdale area, solve Bloomingdale Bank's management problem, and strengthen the earnings prospects of Bloomingdale's only banking office. It would have no significant adverse effect on banking competition in the service areas of the banks, and would be expected to stimulate banking competition in the area served by Bloomingdale Bank..

Accordingly, the Board finds the proposed acquisition to be in the public interest.

October 15, 1963.