

Minutes for March 30, 1964

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. Mitchell

Gov. Daane

The image shows handwritten initials and signatures on horizontal lines next to the names of the Board members. From top to bottom: a circled 'M' for Martin; a large scribble for Mills; 'R' for Robertson; 'CMB' for Balderston; 'S' for Shepardson; 'M' for Mitchell; and a signature for Daane.

Minutes of the Board of Governors of the Federal Reserve System on Monday, March 30, 1964. The Board met in the Board Room at 11:00 a.m.

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

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Cardon, Legislative Counsel  
 Mr. Fauver, Assistant to the Board  
 Mr. Hackley, General Counsel  
 Mr. Solomon, Director, Division of Examinations  
 Mr. Shay, Assistant General Counsel  
 Mr. Leavitt, Assistant Director, Division of Examinations  
 Mr. Spencer, General Assistant, Office of the Secretary  
 Mr. Egertson, Supervisory Review Examiner, Division of Examinations

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

	<u>Item No.</u>
Letter to State Street Bank and Trust Company, Boston, Massachusetts, approving the establishment of a branch in the Stop and Shop Shopping Center, East Boston.	1
Letter to Island State Bank, Patchogue, New York, approving an extension of time to establish a branch at 2945 Sunrise Highway, Town of Islip.	2
Letter to Bank of Las Vegas, Las Vegas, Nevada, approving the establishment of a branch in Overton and emphasizing the need for the bank to strengthen its capital position.	3

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	<u>Item No.</u>
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Richmond.	4
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in Placentia.	5
Letter to The State Bank of Viroqua, Viroqua, Wisconsin, approving an investment in bank premises.	6
Letter to the Secretary of the Federal Advisory Council suggesting topics for inclusion on the agenda for its forthcoming meeting. (The letter as approved reflected minor changes suggested at today's meeting.)	7

Report on competitive factors (Somersworth-Rollinsford, New Hampshire). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Rollinsford Savings Bank, Rollinsford, New Hampshire, into Somersworth Savings Bank, Somersworth, New Hampshire.

The conclusion in the report read as follows:

The proposed merger of Rollinsford Savings Bank into Somersworth Savings Bank would eliminate the moderate competition which exists between the two banks, but because of the number of reasonably accessible offices of other banks and nonbank financial institutions, the over-all effect of the proposal should not be significantly adverse.

In the body of the report it was stated that "The subject proposal would have little, if any, effect on commercial banks." Attention having been drawn to this sentence during discussion, question was raised by Governor Mills whether it was an accurate statement, since each of the

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seven commercial banks operating in the resulting bank's service area was considerably smaller in terms of total deposits. With savings banks in New Hampshire empowered to make single payment loans to individuals, loans on securities, and certain other kinds of loans, it seemed to him that the commercial banks in the area might be exposed to a different weight of competition, and he thought this factor was deserving of some mention in the report.

There followed a discussion of the competitive situation in the area, with reference made to relationships between certain commercial and savings banks, at the conclusion of which agreement was expressed with a suggestion that the wording of the sentence in question be changed to indicate that consummation of the proposal might have some adverse competitive effect on commercial banks in the area.

The report was then approved unanimously for transmittal to the Corporation.

Mr. Egertson then withdrew from the meeting, and Messrs. Noyes, Adviser to the Board, and Brill, Director, Division of Research and Statistics, entered the room.

Letter to Chairman Patman regarding mergers (Item No. 8). There had been distributed with a memorandum dated March 26, 1964, from the Division of Examinations, a draft of reply to a letter of March 7, 1964, in which Chairman Patman of the House Banking and Currency Committee requested certain information regarding bank merger applications submitted

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to the Board and the Board's actions thereon since enactment of the Bank Merger Act.

A revised draft of letter was distributed at this meeting that reflected editorial changes suggested by members of the staff. Following discussion, the revised letter was approved unanimously for transmittal to Chairman Patman subject to changes in certain respects in light of suggestions agreed upon at this meeting. A copy of the letter, as sent, is attached as Item No. 8.

Letter to Chairman Robertson regarding S. 750 (Item No. 9). There had been distributed a memorandum dated March 25, 1964, from the Legal Division with regard to a request from Chairman Robertson of the Senate Banking and Currency Committee for a report from the Board on S. 750, a bill to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extensions of credit (the "truth-in-lending bill"), in the form in which it was reported to the Committee on Banking and Currency by the Subcommittee on Production and Stabilization. Specifically, the Board's comments were requested on any amendments to the reported bill that would be felt desirable if the Board were to remain designated as the administering agency.

The four-page draft of reply to Chairman Robertson would indicate that, while the Board had endorsed the objective of requiring creditors to disclose their finance charges, the Board's position consistently

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had been that it would be inappropriate for the Board to administer the proposed legislation. It would state that the Board strongly urged that S. 750 not be favorably reported by the Senate Banking and Currency Committee without a further amendment to place administrative responsibility in the Federal Trade Commission. Other possible amendments to the bill would therefore not be discussed in the proposed reply.

During consideration of the matter, it was generally agreed that the proposed reply tended to be unnecessarily detailed, especially in light of the views expressed by the Board previously on versions of the proposed legislation. At the conclusion of this discussion, it was the consensus that a shorter letter comprising essentially the first part of the draft reply should be sent. Accordingly, unanimous approval was given to a letter to Chairman Robertson in the form attached as Item No. 9.

The meeting then adjourned.

Secretary's Note: Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the appointment of the following persons to the Board's staff, with basic annual salary at the rates indicated, effective the respective dates of entrance upon duty:

<u>Name and title</u>	<u>Annual salary</u>
<u>Division of Research and Statistics</u>	
James P. Bennett, Economist	\$ 9,980
Edward C. Ettin, Economist	12,495

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Appointments (continued)Name and titleAnnual salaryDivision of Research and Statistics

Robert D. Foster, Economist	\$ 9,810
Patric H. Hendershott, Economist	8,410
Stuart G. Schmid, Economist	10,640
Wm. Paul Smith, Economist	9,980
Joan Lee Turek, Economist	9,980

Division of Data Processing

Theodore John Vander Noot, Jr., Chief Analyst	12,620
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Secretary

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

Item No. 1  
3/30/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 30, 1964.

Board of Directors,  
State Street Bank and Trust Company,  
Boston, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by State Street Bank and Trust Company, Boston, Massachusetts, of a branch on Bennington Street in the "Stop and Shop" Shopping Center near Breed Square, in East Boston, city of Boston, Massachusetts, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
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.)

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2  
3/30/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



March 30, 1964.

Board of Directors,  
Island State Bank,  
Patchogue, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to December 21, 1964, the time within which Island State Bank may establish a branch at 2945 Sunrise Highway, Islip Terrace (unincorporated area), Town of Islip, Suffolk County, New York.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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

Item No. 3  
3/30/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 30, 1964.



Board of Directors,  
Bank of Las Vegas,  
Las Vegas, Nevada.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Bank of Las Vegas in the vicinity of the post office on the main street in Overton, Nevada, provided the branch is established within one year from the date of this letter.

The Board notes that Vice President Galvin of the Federal Reserve Bank of San Francisco emphasized in his letter to you of March 6, 1964, the need for strengthening the bank's capital position. The Board strongly concurs in Vice President Galvin's comments in this regard.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
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. 4  
3/30/64

**ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD**

March 30, 1964.



**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 in the vicinity of the intersection of 25th Street and MacDonald Avenue, Richmond, California, provided the branch is established within one year from the date of this letter.**

**Very truly yours,**

(Signed) Karl E. Bakke

**Karl E. Bakke,  
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. 5  
3/30/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 30, 1964.



Board of Directors,  
United California Bank,  
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank in the vicinity of the intersection of Yorba Linda Boulevard and Rose Drive, Placentia, California, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
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, D. C. 20551

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Item No. 6  
3/30/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 30, 1964.

Board of Directors,  
The State Bank of Viroqua,  
Viroqua, Wisconsin.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises of not to exceed \$240,753.30, by The State Bank of Viroqua for the purpose of constructing new banking quarters. This amount includes \$29,695.48 for the new site, \$2,250.00 for architect's fee, \$1,703.05 for miscellaneous improvements, and \$207,104.77 for new construction, including \$5,000.00 estimated additional expenditures to complete the program.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.



Item No. 7  
3/30/64BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD,

March 30, 1964.



Mr. Herbert V. Prochnow, Secretary,  
Federal Advisory Council,  
c/o The First National Bank of Chicago,  
Chicago, Illinois.

Dear Mr. Prochnow:

The following topics are suggested for discussion at the meeting of the Federal Advisory Council on April 22, 1964, and the joint meeting of the Board and the Council on April 23:

1. Economic conditions and prospects.
  - A. What are the views of the Council on the economic outlook for the remainder of this year? Have the members observed as yet any significant effects of the recently enacted tax cut on consumer spending and attitudes or on business fixed investment spending or plans? To what extent does it appear that the stimulative effect of the tax cut is likely to be offset by tax increases at the State and local levels.
  - B. How does the Council view the prospects for continuing price stability? Are there signs of speculative tendencies in credit markets, land, common stocks, and other capital assets, or in commodities?
  - C. Does ample capacity appear still to be available in most major industries? Are there indications of inventory overbuilding in anticipation of higher prices and/or supply interruptions because of strikes?
2. Banking developments.
  - A. What is the Council's judgment regarding domestic and foreign loan demands over the rest of this year?

Mr. Prochnow

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- B. Have Council members observed any changes in customer demands for term loans, or in the willingness of banks to grant such loans?
  - C. What are the Council's observations regarding the likely trend of interest rates during the rest of 1964?
  - D. Do Council members have comments on recent developments in regard to the issuance of negotiable certificates of deposit?
3. What is the current status of the exchange absorption problem?
  4. What are the Council's views regarding the appropriateness of recent monetary and credit policy?

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 8  
3/30/64

OFFICE OF THE CHAIRMAN

April 1, 1964.

The Honorable Wright Patman,  
Chairman,  
Committee on Banking and Currency,  
House of Representatives,  
Washington, D. C.

Dear Mr. Chairman:

Your letter of March 7, 1964, requested certain statistical information regarding mergers submitted to the Board and the Board's actions thereon since enactment of the Bank Merger Act. The enclosed Schedules I and II provide this information.

With regard to your third question, in its consideration of any merger, consolidation, or acquisition of assets and assumption of liabilities the Board considers all factors, both banking and competitive, enumerated in the Bank Merger Act. The Board then makes a decision as to whether the proposal is in the public interest, as required by the statute.

The statute does not assign weights to the several factors, and it is the Board's opinion that such an assignment would be inadvisable. The Board has concluded that the emphasis placed on the different factors necessarily varies from case to case. In one situation an adverse competitive result may be persuasive and so outweigh the favorable findings under the banking criteria as to lead to a denial; on the other hand a proposal may be approved, despite an adverse competitive impact, because of the resulting benefits to the community. Then too a bank, for example, may suffer from an unsatisfactory condition that could best be solved by merger. The Board feels that, as indicated by the legislative history of the Act, the best interests of the general public and the banking system can be achieved by deciding each case on an individual basis, after having considered all the various factors in accordance with the statute.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure

## SCHEDULE I

This Schedule indicates the disposition the Board made of merger applications received since enactment of the Bank Merger Act.

	<u>Approved</u>	<u>Denied</u>	<u>Consummated</u> *
1960	17	3	14
1961	32	4	32
1962	37	5	38
1963	31	3	30
1964 to March 30, 1964	<u>6</u>	-	<u>8</u>
	<u>123</u>		<u>122</u>

These figures do not reflect applications for reconsideration, applications withdrawn, and cases where the proposed merger was disapproved by State authorities.

\* Mergers approved in a given year are not necessarily consummated in that year.

## SCHEDULE II

The following Schedule indicates the total assets of the absorbing bank and the absorbed bank in mergers approved, by year.

	<u>Approved</u>	<u>Resources in millions of dollars</u>	
		<u>Absorbing Bank</u>	<u>Absorbed Bank</u>
1960	17	8,680.1	455.5
1961	32	18,076.6	3,803.3
1962	37	9,323.3	311.7
1963	31	17,458.7	476.3
1964 to March 30, 1964	6	11,754.7	118.7

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 9  
3/30/64

OFFICE OF THE CHAIRMAN

March 31, 1964.

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

Dear Mr. Chairman:

This is in reply to your letter of March 17, 1964, and its enclosures concerning S. 750, the "truth-in-lending" bill, in the form in which it was reported with amendments on March 16 to your Committee by the Subcommittee on Production and Stabilization. As so reported, the bill continues to vest responsibility for its administration in the Board.

Specifically, your letter requests a report as to any amendments to S. 750 which the Board feels would be desirable if it were to remain the agency designated to administer the bill.

While the Board has endorsed the objective of requiring creditors to disclose their finance charges, the Board's position consistently has been that it would be inappropriate for the Board to administer legislation such as S. 750. Because it is a measure for the regulation of trade practices, the administration of the bill would be foreign to the Board's present responsibilities, which are principally in the field of regulating money and credit through the banking system to meet the varying needs of the economy. These views have been set forth in the Board's letters to you of February 20, 1963, and February 17, 1964, concerning S. 750, and also in its reports on S. 2755 and S. 1740, similar bills introduced in 1960 and 1961 respectively.

The Board's position was explained in detail when I testified at the Subcommittee's hearings on S. 2755, April 5, 1960, and on S. 1740, July 19, 1961. In addition, my statements in the Board's behalf on those occasions emphasized not only that such proposals present many complex administrative and enforcement difficulties, but involve the practices and operations of many businesses with which the Federal Reserve is totally unfamiliar. At each of the hearings I testified that matters such as these prevented unqualified support of

The Honorable A. Willis Robertson -2-

the bills, and, in the Board's view, S. 750 in its present form differs only in minor respects from its predecessors.

As related in your letter, the Presidential message of May 15, 1962, concerning consumer protection, recommended that S. 750 be administered by the Federal Trade Commission, rather than by the Board, since the activities to which the bill is addressed are closely related to and often combined with trade practices which the Commission is already regulating. The printed hearings of the Subcommittee in 1962, 1963, and 1964 on Truth in Lending show that the Bureau of the Budget has advised that enactment of such legislation, revised to place administrative responsibility in the Federal Trade Commission, would be in accord with the President's program. It appears from these hearings also that such revision of S. 750 would be acceptable to the Commission.

The Board, of course, wishes at all times to cooperate fully with Congress and the Committees of Congress. However, the Board strongly urges that S. 750 not be favorably reported by your Committee without a further amendment in accordance with the foregoing recommendation to place administrative responsibility for the bill in the Federal Trade Commission, and with the Board's consistent position that administration of the bill by it would not be appropriate. The Board would not favor enactment of the bill in its present form.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.