

Minutes for February 3, 1965.

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

M

Gov. Mills

[Signature]

Gov. Robertson

CRB

Gov. Balderston

[Signature]

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, February 3, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Mills
Mr. Robertson
Mr. Mitchell
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research and
Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Shay, Assistant General Counsel
Mr. Partee, Adviser, Division of Research and
Statistics
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Spencer, General Assistant, Office of the
Secretary
Mr. Young, Senior Attorney, Legal Division
Mr. Keir, Chief, Capital Markets Section,
Division of Research and Statistics
Mr. Egertson, Supervisory Review Examiner,
Division of Examinations
Mr. McClintock, Supervisory Review Examiner,
Division of Examinations
Miss McShane, Assistant Review Examiner,
Division of Examinations
Mr. Furth, Consultant

Discount rates. The establishment without change by the Federal Reserve Banks of Boston and Atlanta on February 1, 1965, of the rates on discounts and advances in their existing schedules was

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approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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>
Telegram to the Federal Reserve Bank of New York authorizing the opening and maintenance of an account in the name of the Central Bank of Jordan.	1
Telegram to the Federal Reserve Bank of New York authorizing the opening and maintenance of an account in the name of the Bank of Sierra Leone.	2
Letter to all Federal Reserve Banks regarding the procedures to be followed in processing reports received under provisions of Public Law 88-593 relating to changes in the control of management of insured banks.	3
Memorandum dated February 2, 1965, from Mr. Sherman recommending that appropriate minutes and other Board records up to 1921 be made available to a graduate history student from the University of Wisconsin, Mr. Paul Abrahams.	4
Memorandum dated February 2, 1965, from Mr. Sherman recommending that Professor Lester V. Chandler of Princeton University be permitted access to such minutes and other Board records as might be pertinent to his study of American monetary policies in the period 1928-1940.	5

During discussion of Item No. 3, general agreement was indicated with a suggestion by Governor Robertson that a letter be sent to the Comptroller of the Currency inquiring about the failure of the Federal

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Reserve to receive copies of reports from national banks sent to the Comptroller's Office pursuant to the provisions of Public Law 88-593.

Application of United California Bank. There had been distributed a memorandum from the Division of Examinations dated January 29, 1965, and supporting papers with respect to the application of United California Bank, Los Angeles, California, to merge with Bank of Mt. Shasta, Mount Shasta, California. The Division's recommendation was favorable.

At the Board's request Mr. Egertson made a statement regarding the facts of the case and the reasons underlying the recommendation of the Division of Examinations, his comments being based substantially on the information presented in the January 29 memorandum.

Governor Mills stated that he would approve the application. He thought the basis for approval was rather narrow, however. Mount Shasta, he noted, was essentially a one-bank town. It could be argued that United California or another large bank could establish a de novo branch there, but it might not be profitable to do this. Also, the earning power and opportunities of the local bank might be damaged. He sensed that the application painted more darkly than was justified the difficulties experienced by the community in obtaining adequate bank credit services. Bank of Mt. Shasta had steadily gained deposits. If the bank had not rendered reasonably satisfactory banking services, it was hard to believe that the bank would have attracted deposits to the extent that it had. However, there were apparently substantial management problems at the Mount Shasta bank.

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Governor Robertson said that he would approve the merger. There were two negative factors--diminution of competition and the elimination of a small unit bank. Those adverse factors were offset in this case only by the extremely conservative character of the Mount Shasta bank's operations and the management problem, the nature of which made it unlikely that good management could be obtained for the bank. Governor Robertson indicated that if the merger were approved he might want to issue a concurring statement.

Governors Mitchell and Daane and Chairman Martin indicated that they would favor approval of the application. Governor Daane commented that the proposed merger should result in a more aggressive banking operation in Mount Shasta, which would be in the public interest.

Thereupon, the application was approved unanimously, with the understanding that the Legal Division would draft an order and supporting statement for the Board's consideration.

Messrs. Shay, Young (Legal), Furth, Egertson, and McClintock, and Miss McShane then withdrew from the meeting.

Real estate appraisal study. At its meeting on May 18, 1964, the Board authorized the preparation of a study by Mr. Frederick M. Babcock of Washington, D. C., a real estate appraiser and consultant, of methods of judging and improving the quality of mortgage portfolios, including loans on income-producing properties.

There now had been distributed a memorandum from Mr. Brill dated December 31, 1964, discussing the report entitled "Quality Rating

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of Mortgage Portfolios" that was submitted by Mr. Babcock under date of September 15, 1964. A copy of the report was attached to the memorandum.

Following comments by Messrs. Keir and Solomon on the nature of the study prepared by Mr. Babcock, there was a general discussion focusing principally on the usefulness for various purposes of the proposed approach to measuring the quality of mortgage credit, which was quite elaborate. The difficulty of extracting suggestions that might be of value, essentially because of the manner in which the report was presented, was brought out during this discussion.

Governor Robertson suggested, however, that certain aspects of the report might be worthy of further study and consideration. While he did not favor sending the report to the Federal Reserve Banks or others at this point, he thought a System committee should be organized to study the report and try to extract useful information. The committee, which might be made up of representatives from the bank examination field competent in the area of mortgage credit, along with persons from the research function, would include Board and Reserve Bank representation.

Mr. Brill mentioned that in conversation with Governor Balderston the latter had indicated that Mr. John Jewett, former Senior Vice President of The Prudential Insurance Co. of America who had many years of experience in the mortgage credit field prior to his recent retirement, had offered to make his experience available for public service.

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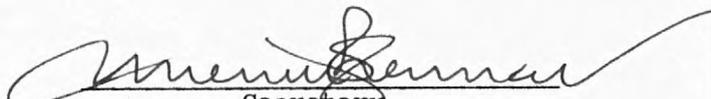
At Governor Balderston's request, a copy of Mr. Babcock's study had been sent to Mr. Jewett for review. Mr. Brill suggested that Mr. Jewett might be willing to discuss with the staff, in the light of his own experience, the potential usefulness of the study.

At the conclusion of the discussion, it was understood that the kind of work on the Babcock report contemplated by the suggestions of Governor Robertson and Mr. Brill would be done before any decision was made as to possible further uses of the report.

The meeting then adjourned.

Secretary's Notes: The steps contemplated by the Board's action on November 23, 1964, in approving the issuance of a preliminary permit to State Street Bank Boston International, New York, New York, having been completed, a letter was sent today to that corporation transmitting a final permit to commence business.

Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board a letter to the Federal Reserve Bank of Atlanta (attached Item No. 6) approving the appointment of Joseph N. Belflower as examiner.


Secretary

TELEGRAM
LEASED WIRE SERVICEItem No. 1
2/3/65BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

February 3, 1965.

SANFORD - NEW YORK

Your wire January 29. Board approves opening and maintenance of an account on books of Federal Reserve Bank of New York in the name of the Central Bank of Jordan, subject to the usual terms and conditions. It is understood that participation in this account will be offered to other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN

Item No. 2
2/3/65**TELEGRAM**
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

February 3, 1965.

SANFORD - NEW YORK

Your wire January 29. Board approves opening and maintenance of an account on books of Federal Reserve Bank of New York in the name of the Bank of Sierra Leone, subject to the usual terms and conditions. It is understood that participation in this account will be offered to other Federal Reserve Banks.

(Signed) Merritt Sherman

SHERMAN



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 3
2/3/65

S-1942

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 3, 1965.

Dear Sir:

In the Board's letter of September 25, 1964 (S-1931), you were informed of the procedures to be followed in processing reports received under the provisions of Public Law 88-593 which requires that Federal bank supervisory authorities be informed of any changes in the control of management of insured banks. To facilitate processing of the reports, consideration was given to the adoption of a form for use by the Reserve Banks in transmitting the information received to the Board's Division of Examinations. The views of the Vice President in charge of examinations at each Federal Reserve Bank regarding a draft of the proposed form were requested and the comments of each have been considered.

It has been concluded that the form would not serve any useful purpose and that the present practice of forwarding promptly a copy of each report to the Board's Division of Examinations should be continued. In the future, however, the letter transmitting the report should contain a statement either that the new owners and management are known and acceptable to the Reserve Bank or that they are not known and an investigation of the new owners and management is required. In the event an investigation is deemed necessary, a copy of the report should be forwarded promptly to the Board's Division of Examinations and followed by a supplement summarizing the results of the investigation and the conclusions based on such findings.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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He would have to work quite rapidly since his plan is to return to Wisconsin within the next few days.

It was suggested that Mr. Abrahams submit a request in writing, and a letter on University of Wisconsin letterhead was subsequently received from him containing the following paragraphs:

"I have been working on this project for the better part of a year under the direction of Prof. Williams of the History Department of the University of Wisconsin. In that period I have examined published and unpublished documents at repositories in the mid-West and on the East coast. If I were to fail to take any possible step to review the work of the Board from the primary sources I would feel that this would be an unfortunate oversight indeed.

"I am enclosing a list of decimal files of Board correspondence I would most like to look at in the event that it would be convenient to pull some of these files for me, assuming, of course, that the Board approves."

Mr. Abrahams seemed quite knowledgeable, and his request would appear to reflect a legitimate interest. It is recommended that the Board authorize the Secretary to make available to Mr. Abrahams such Board minutes and other records for the period up to 1921 as may appear to have pertinence to the dissertation he is preparing.

Item No. 5
2/3/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 2, 1965.

TO: Board of Governors Request for access to Board records.
FROM: Mr. Sherman

With respect to the attached letter from Professor Lester V. Chandler, it is recommended that the Board authorize the Secretary to arrange for access by Professor Chandler to such minutes and other Board records as may be pertinent to his study of American monetary policies in the period 1928-1940.

It may be recalled that several years ago Professor Chandler was allowed to consult similar Board materials in connection with his biography of Benjamin Strong.

PRINCETON UNIVERSITY
PRINCETON, NEW JERSEY

Department of Economics

January 29, 1965

Mr. Merritt Sherman, Secretary
Board of Governors of the Federal Reserve System
Washington 25, D.C.

Dear Mr. Sherman:

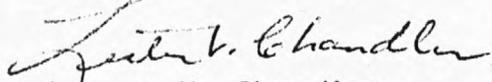
The purpose of this letter is to request that the Board permit me to consult materials under its control that are relevant to a research project on which I am now engaged. The topic is best described as "An Analytical History of American Monetary Policies, 1928-1940." Though Federal Reserve policies will be of central interest, I plan also to take into account relevant aspects of the financial structure, international financial relationships, and government fiscal policies.

Because I am not fully aware of the nature and extent of the materials available, I cannot specify precisely the things that I will want to consult. I do hope, however, that I can be given access to all materials which will shed light on my subject and which can be made available without injury to the Federal Reserve System or others.

I give you my assurance that if this request is granted I shall use the materials in a responsible manner.

Thank you for considering this request.

Sincerely yours,


Lester V. Chandler

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6
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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 3, 1965.



Mr. R. M. Stephenson, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303

Dear Mr. Stephenson:

In accordance with the request contained in your letter of January 26, 1965, the Board approves the appointment of Joseph N. Belflower, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Atlanta, effective February 1, 1965.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.