



Minutes of the Board of Governors of the Federal Reserve System on Friday, August 13, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Robertson  
Mr. Shepardson  
Mr. Mitchell  
Mr. Daane  
Mr. Maisel

Mr. Bakke, 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  
Mrs. Semia, Technical Assistant, Office  
of the Secretary  
Mr. Morgan, Staff Assistant, Board Members'  
Offices  
Messrs. Brill, Holland, Partee, Bernard, and  
Gramley of the Division of Research and  
Statistics  
Messrs. Hersey, Katz, Sammons, Baker, and Gemmill  
of the Division of International Finance  
Mr. Furth, Consultant

Money market review. Mr. Brill reported on the industrial production index, following which Mr. Bernard commented on developments in the Government securities market, in which connection tables were distributed relating to yields on U.S. Government securities and to perspective on the money market and on bank reserve utilization. Mr. Baker then discussed conditions in foreign exchange markets, with special reference to recent pressures on the pound sterling, and Mr. Katz summarized his observations during his recent European trip, which included a technical meeting at the Bank for International Settlements and visits in Germany and France.

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All members of the staff except Messrs. Bakke, Noyes, and Molony, and Mrs. Semia then withdrew and the following entered the room:

- Mr. Solomon, Director, Division of Examinations
- Mr. Hexter, Assistant General Counsel
- Mr. Leavitt, Assistant Director, Division of Examinations
- Mr. Via, Senior Attorney, Legal Division
- Mr. Osborne, Chief, Consumer Credit and Finances Section, Division of Research and Statistics

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, Kansas City, and Dallas on August 12, 1965, 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.

Report on competitive factors (Roanoke-St. Paul, Virginia).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of St. Paul National Bank, St. Paul, Virginia, into The First National Exchange Bank of Virginia, Roanoke, Virginia.

Governor Shepardson observed that the information presented related principally to the competitive impact in terms of the banking structure of the State and of the area surrounding St. Paul. It seemed to him that the proposed transaction was somewhat similar to others in which the larger bank, while not operating State-wide, had a relatively heavy concentration in one area. Therefore he had asked the Division of Examinations to assemble additional information focused especially

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on the southwestern part of Virginia, where First National Exchange Bank operated its 28 offices. Mr. Leavitt then discussed a table showing the banking structure of 27 counties and 7 cities in southwestern Virginia.

Governor Mitchell cited reasons why, in his view, the proposed report lacked an adequate definition of the banking markets that should be taken into consideration, and the ensuing discussion of the appropriate measure of banking markets resulted in several suggestions for changes in the conclusion and in the text of the report, including incorporation of some of the figures Mr. Leavitt had presented. The report was then approved for transmittal in a form in which the conclusion read as follows:

The proposed merger of St. Paul National Bank into The First National Exchange Bank of Virginia, Roanoke, would eliminate competition which exists between them. It would expand Roanoke Bank's geographic coverage in southwestern Virginia where, since 1960, Roanoke Bank has absorbed 12 banks. The overall effect of the proposed transaction on competition would be adverse.

Applications of Citizens Trust and Savings Bank (Items 1 and 2).

There had been distributed drafts of an order and statement reflecting the Board's approval on July 28, 1965, of the applications of Citizens Trust and Savings Bank, South Haven, Michigan, to consolidate with The Fruit Growers State Bank of Saugatuck, Mich., Saugatuck, Michigan, and to acquire the assets and assume the liabilities of The Old State Bank, Fennville, Michigan.

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The issuance of the order and statement was authorized. Copies of the documents are attached as Items 1 and 2.

Request by House Banking and Currency Committee (Item No. 3).

There had been distributed a draft of letter to Chairman Patman of the House Committee on Banking and Currency that would respond to a telephone request by the Committee's staff for a list of the major finance companies included in the sample being used in the current survey of finance companies.

During a discussion relating to matters such as the composition of the list and the likelihood of changes in the course of experience, certain changes in the draft letter were agreed upon, after which the letter was approved unanimously in the form attached as Item No. 3.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Memoranda recommending the following actions relating to the Board's staff:

Salary increases, effective August 15, 1965

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Clayton Gehman, Chief, Business Conditions Section		\$19,880	\$20,450
Mercy M. Heath, Statistical Clerk		4,140	4,275
Paul R. Schweitzer, Economist		10,250	10,605
Neva G. Van Peski, Economist		9,240	9,535
<u>Bank Operations</u>			
Doris V. Bubb, Analyst		6,850	7,050

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Salary increases, effective August 15, 1965 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Examinations</u>			
Judith A. Thomas, Special Assistant Federal Reserve Examiner		\$ 5,380	\$ 5,825
Allen Goodfellow, Review Examiner		12,495	12,915
John A. Treimann, Federal Reserve Examiner		10,605	10,960
<u>Personnel Administration</u>			
June E. Burns, Administrative Assistant		12,025	12,380
Gena Gander, Employee Relations Technician		7,250	7,450
<u>Administrative Services</u>			
John P. Fling, Sr., Operator, Offset Press		7,093	7,467
James T. Jones, Operator, Mimeograph		4,326	4,555
Opal I. O'Dell, Charwoman		3,500	3,615
<u>Data Processing</u>			
Robert H. Craft, Digital Computer Systems Operator		6,245	6,650
Janet M. Davison, Draftsman		4,480	4,630
Donald B. Fitzhugh, Data Processing Planner		10,960	11,315
Daviette Hill Stansbury, Digital Computer Programmer (half-time)		4,325	4,473

Acceptance of resignations

John H. Wood, Economist, Division of Research and Statistics, effective at the close of business August 13, 1965.

Verna Taylor, Stenographer, Division of Personnel Administration, effective at the close of business August 13, 1965.

Memorandum from Governor Daane dated August 11, 1965, recommending payment by the Board of the cost of a small dinner at the Cosmos Club on July 20, 1965, in honor of the Chairman of the Deputies of the Group of Ten.

Karl E. Bakke  
Assistant Secretary

Item No. 1

8/13/65

## 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 Applications of  
 CITIZENS TRUST AND SAVINGS BANK  
 for approval of consolidation with  
 The Fruit Growers State Bank of  
 Saugatuck, Mich., and  
 for approval of acquisition of assets of  
 The Old State Bank

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ORDER APPROVING CONSOLIDATION OF BANKS  
 AND 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)), applications by Citizens Trust and Savings Bank, South Haven, Michigan, a State member bank of the Federal Reserve System, for the Board's prior approval of: (1) the consolidation of that bank and The Fruit Growers State Bank of Saugatuck, Mich., Saugatuck, Michigan, under the charter and name of the applicant (as an incident to the transaction, the sole office of the Saugatuck bank would become a branch of the applicant bank); (2) its acquisition of the assets and assumption of the liabilities of The Old State Bank, Fennville, Michigan. As an incident to the latter transaction, the applicant has applied, under section 9 of the Federal Reserve Act, for the

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Board's prior approval of the establishment of a branch at the location of the sole office of the Fennville bank. Notices of the proposed consolidation and the proposed acquisition of assets and assumption of liabilities, in form approved by the Board, have been published pursuant to the Bank Merger Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Attorney General on the competitive factors involved in the proposed transactions,

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 the transactions shall not be consummated (a) within seven calendar days after the date of this Order or (b) later than three months after said date.

Dated at Washington, D. C., this 13th day of August, 1965.

By order of the Board of Governors.

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

(Signed) Karl E. Bakke

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Karl E. Bakke,  
Assistant Secretary.

(SEAL)



Item No. 2  
8/13/65

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

APPLICATION BY CITIZENS TRUST AND SAVINGS BANK FOR APPROVAL OF  
CONSOLIDATION WITH THE FRUIT GROWERS STATE B/NK, SAUGATUCK, MICH.,  
AND ACQUISITION OF ASSETS OF THE OLD STATE BANK

STATEMENT

Citizens Trust and Savings Bank, South Haven, Michigan ("South Haven Bank"), with total deposits of about \$19 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 consolidation with The Fruit Growers State Bank of Saugatuck, Mich., Saugatuck, Michigan ("Saugatuck Bank"), and of its acquisition of the assets and assumption of the liabilities of The Old State Bank, Fennville, Michigan ("Fennville Bank"), with deposits of about \$6 million and \$2 million, respectively.<sup>1/</sup> As an incident to the transaction, the offices of Saugatuck Bank and Fennville Bank would become branches of South Haven Bank, increasing the number of its offices from 2 to 4.

Under the law, 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

<sup>1/</sup> Deposit figures are as of December 31, 1964.

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character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Chapter 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 transactions unless, after considering all of these factors, it finds the transactions to be in the public interest.

Banking factors. - The financial histories of the proponent banks are satisfactory, and each bank has a satisfactory asset condition and an adequate capital structure. South Haven Bank has a good earnings record and favorable future earnings prospects; the earnings record and future earnings prospects of Fennville Bank are satisfactory. The earnings of Saugatuck have been only fair and its future earnings prospects appear to be unfavorable. The death of the senior executive officer of Saugatuck Bank has resulted in a management succession problem that is made more difficult by the bank's earnings problem. The president of Fennville Bank, a family-owned institution, recently suffered a serious illness and will not resume the responsibility of operating the bank as an independent unit. The management of South Haven Bank is strong and has adequate depth. In addition to capable management, the resulting bank would have a sound asset condition, an adequate capital structure, and good future earnings prospects.

There is no indication that the corporate powers of the banks are, or would be, inconsistent with the purposes of 12 U.S.C., Chapter 16.

Convenience and needs of the communities. - South Haven, Michigan, is located on the eastern shore of Lake Michigan, about 40 miles west of Kalamazoo, and has a population of slightly over 6,000. The area's economy is dependent on local industry, agriculture, and summer resort business. Bloomingdale, Michigan, the site of South Haven Bank's branch, is 19 miles east of South Haven and has a population of about 500; its economy is almost entirely dependent on agriculture. Saugatuck is 20 miles north of South Haven and has a population of about 900; although there is some local industry, its economy is largely dependent on summer tourism and agriculture. Fennville (population 700) is 18 miles northeast of South Haven and 10 miles southeast of Saugatuck. The local economy is principally dependent on agriculture.

South Haven Bank would make available through the offices now operated by Saugatuck Bank and Fennville Bank a broader range of banking services than is presently provided there. Among others, South Haven Bank would provide trust services and the services of its agricultural representative. The most significant and immediate benefit for the banking public would appear to be in the area now served by Fennville Bank where, because of the restrictive and nonprogressive policies of the bank's management, the routine banking needs of many people are not being adequately met. Further, the increased single loan limit of South Haven Bank resulting from the consolidation with Saugatuck Bank would be of some benefit for each of the communities involved.

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Competition. - The service area<sup>2/</sup> of South Haven Bank overlaps slightly the service areas of Saugatuck Bank and Fennville Bank, and the town of Fennville lies within the service area of Saugatuck Bank. A relatively large (deposits of \$31 million) and aggressive bank headquartered in Zeeland recently established a branch in Douglas, 2 miles south of Saugatuck, and has a branch at Hamilton on the periphery of Saugatuck Bank's service area. There are offices of three commercial banks, all larger than South Haven Bank, in Holland, 11 miles north of Saugatuck, and two much larger Kalamazoo banks (total deposits of \$126 million and \$86 million, respectively) have branches in Allegan, 15 miles southeast of Fennville. Offices of these and other competing, or potentially competing, banks surround the combined service areas of the proponent banks. Although the proposed transactions would eliminate a small amount of competition between the banks involved and increase the deposit holdings of South Haven Bank by about \$8 million, it does not appear that banking competition in the relevant area would be adversely affected; indeed, it seems probable that banking competition would be enhanced in the long run.

<sup>2/</sup> The area from which a bank derives 75 per cent or more of its deposits of individuals, partnerships, and corporations.

Summary and conclusion. - The proposed transactions would not adversely affect any bank, but potentially more effective competition for the larger banks in the relevant area would result.

South Haven Bank would provide expanded banking services which would be of some benefit to the banking public in Saugatuck and of significant benefit to customers of Fennville Bank. Further, the proposed transactions would resolve the management succession problems at Fennville Bank and at Saugatuck Bank, where the problem appears to be more significant.

Accordingly, the Board finds that the proposed transactions would be in the public interest.

August 13, 1965.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 3  
8/13/65

OFFICE OF THE VICE CHAIRMAN

August 18, 1965.

The Honorable Wright Patman,  
House of Representatives,  
Washington, D. C. 20515

Dear Mr. Patman:

There is forwarded herewith a card index of selected major finance companies, which we have prepared at the request of Mr. Stephen Kennedy of your staff. These are the companies now included in the large-company sample we are using for our Quinquennial Survey of Finance Companies this summer.

This group of firms, numbering approximately 800, consists mainly of companies we have reason to believe hold receivables of \$1 million or more. We expect the Survey to find a few additional companies in this size class, and it will probably show that some of those listed have dropped out through merger, declining activity, etc. However, it will be several months before the Survey findings of this sort will be complete enough to yield a revised list.

Sincerely yours,

(Signed) C. C. Balderston

C. Canby Balderston,  
Vice Chairman.

Enclosure.