

The attached minutes of the meeting of the Board of Governors of the Federal Reserve System on June 3, 1966, which you have previously initialed, have been amended at the request of Governor Maisel to revise the first full paragraph on page 5.

If you approve the minutes as amended, please initial below.

Governor Robertson

A handwritten signature, appearing to be 'R', is written over a horizontal line.

Governor Daane

A handwritten signature, appearing to be 'D', is written over a horizontal line.

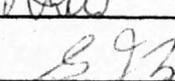
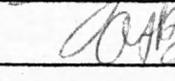
Minutes for June 3, 1966

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	<u></u>
Gov. Robertson	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>
Gov. Brimmer	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Friday, June 3, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Shepardson  
 Mr. Mitchell  
 Mr. Daane  
 Mr. Maisel  
 Mr. Brimmer

Mr. Sherman, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Broida, Assistant Secretary  
 Mr. Young, Senior Adviser to the Board and  
 Director, Division of International Finance  
 Mr. Holland, Adviser to the Board  
 Mr. Solomon, Adviser to the Board  
 Mr. Molony, Assistant to the Board  
 Mr. Cardon, Legislative Counsel  
 Mr. Fauver, Assistant to the Board  
 Mr. Solomon, Director, Division of Examinations  
 Miss Eaton, General Assistant, Office of the  
 Secretary  
 Mr. Morgan, Staff Assistant, Board Members'  
 Offices

Messrs. Brill, Koch, Axilrod, Gramley, Bernard,  
 Eckert, Ettin, Keir, and Kelty, and Mrs.  
 Peskin of the Division of Research and  
 Statistics

Messrs. Sammons, Hersey, Katz, Reynolds, Gemmill,  
 and Baker of the Division of International  
 Finance

Money market review. Mr. Bernard reviewed developments in the Government securities market, with additional comments on the money market perspective table, copies of which had been distributed, and also on a table relating to dealer positions and transactions in key short-term debt securities. Mr. Eckert then reported on bank credit

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developments, following which there was discussion of the status of the current Board survey relating to changes in rates paid on time deposits. The review concluded with a report by Mr. Baker on conditions in foreign exchange markets.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, Young, Holland, Molony, Cardon, Fauver, Solomon (Examinations), Brill, Sammons, Koch, Gramley, Eckert, and Ettin and the following entered the room:

Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank Operations  
 Mr. Hexter, Associate General Counsel  
 Mr. O'Connell, Assistant General Counsel  
 Messrs. Leavitt and Thompson, Assistant Directors,  
 Division of Examinations  
 Messrs. Forrestal, Smith, and Via of the Legal Division  
 Mr. Lawrence of the Division of Research and Statistics  
 Messrs. Goodfellow, Kline, Lyon, Poundstone, and  
 Rumbarger of the Division of Examinations  
 Mr. Vander Noot of the Division of Data Processing

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on June 2, 1966, 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.

Form of report of condition. The Board approved unanimously the recommendation in a distributed memorandum from the Division of Examinations dated May 31, 1966, that an abbreviated form be used, on an experimental basis, for obtaining reports of condition from Edge

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and agreement corporations at midyear 1966, with the understanding that it was planned that a detailed report would continue to be requested at year-end.

Holding company applications. On the basis of staff material that had been distributed, and following an oral summary by Mr. Lyon, the Board approved unanimously an application by The First Virginia Corporation, Arlington, Virginia, to acquire shares of First Valley National Bank, Rich Creek, Virginia. It was understood that an order and statement reflecting this decision would be prepared for the Board's consideration. It was also understood that the letter transmitting advice of the Board's decision to First Virginia Corporation would contain reference to applicant's relatively heavy debt position.

On the basis of staff material that had been distributed, and following an oral summary by Mr. Lyon, the Board approved unanimously an application by Barnett National Securities Corporation, Jacksonville, Florida, to acquire shares of The First Bank & Trust Company of Pensacola, Pensacola, Florida. It was understood that an order and statement reflecting this decision would be prepared for the Board's consideration.

Request of Otto Bremer Company (Items 1-3). At the meeting on June 1, 1966, there had been preliminary discussion of a request by Otto Bremer Company, St. Paul, Minnesota, for an opinion that the company could, under the authority of section 4(c)(4) of the Bank

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Holding Company Act, acquire shares of certain proposed agricultural credit corporations. The matter had been held over in order that the Board members might have an opportunity for further study of the issues involved.

At this meeting the Board approved unanimously the recommendation in the distributed memorandum from the Legal Division dated May 26, 1966, which was that Otto Bremer Company be advised that the proposed transactions were not permissible under section 4(c)(4), that they might be permissible under section 4(c)(6), and that it might be possible to have a determination of the latter question without the necessity for hearing. Attached as Items 1-3 are copies of (1) the letter sent to counsel for Otto Bremer Company pursuant to the Board's decision, (2) a letter sent to Northwest Bancorporation, Minneapolis, Minnesota, and (3) an amended notice of request for determination and order for hearing thereon.

Messrs. Thompson, Smith, Via, Lawrence, Kline, Lyon, and Rumbarger then withdrew.

V-loan interest rates (Item No. 4). There had been distributed a memorandum from Mr. Hackley dated May 31, 1966, discussing suggestions received through certain Federal Reserve Banks that the Board consider an increase in the present 6 per cent maximum interest rate on V-loans (loans for defense production purposes guaranteed by various Government procurement agencies). The memorandum recommended that letters

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be sent to each of the guaranteeing agencies requesting their views on the matter and that copies of the form of letter be sent to the Federal Reserve Banks for their information.

In discussion question was raised by Governor Maisel about possible revision of the schedule of guarantee fees (per cent of interest payable to the guaranteeing agency on the guaranteed portion of a loan) if the maximum interest rate should be increased. Specifically, the question was raised whether a percentage guarantee fee ought not to be lowered if the interest rate to which it applied rose. It was agreed to request the views of the guaranteeing agencies on this matter also.

Unanimous approval then was given to the sending of the suggested letters to the guaranteeing agencies. A copy of the letter sent to one of the guaranteeing agencies is attached as Item No. 4.

Disposition of computer. The Board had previously considered and referred to Governor Shepardson for further study the question of disposition of the Board's IBM 1410 electronic computer system. Governor Shepardson had made a preliminary report on this matter at the meeting on May 2, 1966, and a sale of the equipment to the Treasury was tentatively agreed upon.

Governor Shepardson now recommended, for reasons stated, that the Board accept the offer of \$275,000 contained in a letter from the Treasury Department dated May 31, 1966. Since this offer was contingent upon the Treasury's obtaining approval for the reprogramming of funds for this purpose, he suggested that acceptance of the offer be made conditional upon such approval by June 30, 1966.

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Governor Shepardson's recommendation was approved unanimously, and it was understood that the Treasury would be advised accordingly.

Proposed legislation with regard to certificates of deposit.

Pursuant to the understanding at yesterday's meeting there had been distributed a revised draft of Board reply to the letters dated May 31, 1966, that had been addressed to the members individually by Chairman Patman of the House Committee on Banking and Currency.

The draft reply indicated, in summary, that the Board shared the Committee's concern over the potential problems developing in the mortgage market, with attendant effects on home construction, but stressed that the difficulties currently faced both by financial institutions and the housing industry reflected to an important extent the result of principal reliance on general monetary policies rather than on fiscal actions in restraining the inflationary pressures of a booming economy. The draft would note that increased competition among financial institutions was a development with important economic benefits but that in the short run structural shifts in financial flows could take place so rapidly as to generate adjustment problems for individual financial institutions and for the borrowers they financed. It was suggested that short-run problems could be most appropriately handled by temporary solutions designed to facilitate adjustments of the nonbank financial institutions and the mortgage market rather than by permanent restrictions that tended to freeze

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competitive relationships. The draft would cite the possibility of increasing the scope of the Board's authority to specify the ceiling rates on required reserves held against time deposits; for example, a range of 3 to 10 per cent for required reserves against time deposits (other than savings) would provide greater flexibility. However, a legal requirement to double required reserves against time deposits before the end of the year would be a serious mistake; similarly, it would be unwise to set the minimum requirement as high as 8 per cent on deposit liabilities of fixed maturity. Any changes in the statutory limits on reserve requirements should provide sufficient flexibility to permit graduated reserve requirements and to extend the requirements to all commercial banks. On the question of stipulating a minimum maturity for time deposits, no merit was seen in setting a minimum as long as a year, or even six months; this would unfairly penalize many small banks where time accounts were customarily used in place of passbook savings, and it would force sharp adjustments in money markets along with sweeping portfolio adjustments by many banks. Thus, any proposals intended to limit the range of competition for savings must be carefully drawn to avoid serious disruption of flows of funds in the money and capital markets. The suggestion to distinguish between time deposits of more than \$100,000 and those of smaller denomination for purposes of establishing rate ceilings was worth exploring and

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might have an economic justification. However, the determination of ceiling rates and differentials in rates should be left to administrative discretion. In summary, the Board would welcome measures aimed at increased flexibility in administering ceiling rates and reserve requirements on time and savings deposits, but sweeping legislation markedly altering competitive positions of financial institutions could do serious damage to the stability of the economy.

Governor Mitchell expressed the view that the draft letter was generally appropriate, subject to certain suggestions that he outlined. One of these was that the \$100,000 figure be deemphasized and that the relevant portion of the letter be cast in more general terms.

Governor Daane indicated that his views were close to those of Governor Mitchell. He then suggested certain minor changes in the letter, and further amendments were suggested by Governor Maisel.

Chairman Martin inquired whether the Board had given consideration to taking any actions under existing legislative authority, and Governor Mitchell replied that the question had been under discussion. He noted, however, that the position taken at the recent Committee hearings was that the Board would review the situation carefully after it had obtained complete information from the rate survey currently in process.

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Members of the Board noted that Governor Robertson had indicated an intention to present for Board consideration two possible actions:

(1) to raise reserve requirements from 4 per cent to 6 per cent on time deposits (other than savings deposits) to the extent that the combined total of time plus savings deposits at any bank exceeded \$5 million, and (2) to lower to 3 per cent the maximum permissible interest rate payable on time deposits maturing in less than 90 days.

Governor Brimmer noted that at the hearings last week the Board had given no indication of what steps it might be willing to take. This suggested the risk that the Board would receive mandatory instructions, a possibility that he would hope to avoid.

Chairman Martin inquired as to the reaction to raising reserve requirements on time deposits (other than savings) from 4 to 6 per cent, and references were made to the apparent pressure on banks to issue negotiable certificates with shortened maturities at the ceiling rate, as reported in today's money market review, with \$3.9 billion of such certificates maturing this month. Members of the Board indicated that they would be hesitant to announce a reserve requirement increase in the circumstances, and they noted that such a move might put considerable pressure on the discount rate. Reservations also were expressed about a move at this time to lower the ceiling rate on time deposits with short maturities.

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In response to a question Mr. Cardon reported the status of proposed legislation to increase the funds available to the Federal National Mortgage Association, and Chairman Martin commented that this was perhaps the most helpful step that could be taken.

Reference was made at this point to a memorandum of June 2 in which Governor Brimmer suggested a package of actions that the Board might consider to moderate temporarily the competition for funds among depository institutions, assuming the Board was given authority to set differential interest rate ceilings and reserve requirements based on type and size of deposits. These proposals envisaged maximum rates of 4 per cent on savings deposits, 5 per cent on time deposits under \$100,000, and 5-1/2 per cent on time deposits over \$100,000, along with reserve requirements of 4, 4, and 6 per cent against the three types of deposits. He did not suggest that a minimum maturity be set for time deposits, but that steps be taken to lengthen the effective maturity of smaller certificates and other time deposits by increasing the penalty for pre-maturity withdrawal and by sharply curtailing automatic renewal features.

As the discussion proceeded, further questions were raised as to the range of possible actions.

Mr. Holland suggested that a moderate step would be to take action along the line of the final two suggestions by Governor Brimmer, in which connection Mr. Hackley pointed out that several months ago some members of the Board had felt that a curtailment of the automatic renewal features

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might not be too effective because of the difficulty of enforcement. After additional discussion of possibilities in this area, it was understood that Mr. Hackley would redistribute the draft amendments to Regulation Q, Payment of Interest on Deposits, that had been considered toward the end of 1965. These would prohibit or limit multiple maturities and automatic renewals and would stiffen provisions regarding payment of time deposits before maturity.

Chairman Martin commented that consideration of these possibilities at the Board meeting next Monday might be helpful. However, it seemed to him that the Board would be in a better position not to have taken any such actions prior to the hearings next Wednesday. He doubted that the Board should "get in the lead" at this juncture.

Governor Mitchell noted that this would be consistent with the position taken in the Board's statement at the previous hearings.

Chairman Martin also commented that both he and Governor Robertson had more or less agreed, in mid-May, to the proposal that they were advised the Secretary of the Treasury intended to place before the Committee. Now, however, it appeared that that proposal would not receive favorable action, so a new start had to be made.

There followed comments by members of the Board reflecting somewhat differing understandings as to the current position of parties within the Treasury.

Question then was raised whether it was the intent to send a letter to Chairman Patman today in response to his letters of May 31, and

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Chairman Martin indicated that he had in mind further discussion by the Board next Monday before any letter was sent. Accordingly, the matter was left on that basis, with the understanding, however, that a revised draft of letter reflecting the suggestions made at this meeting would be prepared for the Board's consideration.

The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Cleveland (copy attached as Item No. 5) approving the appointment of Warren H. Frey as Federal Reserve Agent's Representative at the Pittsburgh Branch.

Letter to the Federal Reserve Bank of Minneapolis (copy attached as Item No. 6) approving the appointment of David J. Freeberg as examiner.

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

#### Appointment

Robert J. Stonebraker as Summer Assistant, Division of Research and Statistics, with basic annual salary at the rate of \$4,641, effective the date of entrance upon duty.

#### Salary increases

Ralph C. Bryant, Economist, Division of International Finance, from \$9,879 to \$10,619 per annum, effective June 5, 1966.

Jacqueline L. Gillmore, Stenographer, Legal Division, from \$4,797 to \$5,181 per annum, with a change in title to Secretary, effective June 13, 1966.

#### Transfer

Ketty Anagnos, from the position of Statistical Assistant in the Division of Research and Statistics to the position of Research Assistant in the Division of International Finance, with an increase in basic annual salary from \$5,694 to \$6,086, effective upon assuming her new duties.

  
Secretary

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1  
6/3/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1966



Kelly, Segell and Fallon,  
500 Minnesota Building,  
St. Paul, Minnesota. 55101

Attention William S. Fallon, Esquire

Gentlemen:

This refers to your letter of March 3, 1966, requesting on behalf of Otto Bremer Company, 624 American National Bank Building, Saint Paul, Minnesota, a registered bank holding company, the Board's opinion on the question whether the Bremer Company may, under the authority of section 4(c)(4) of the Bank Holding Company Act, acquire voting shares in two proposed agricultural credit corporations, Farmers Agricultural Credit Co., Inc. and Carrington Credit Company.

At a hearing held on January 20, 1966, on applications filed by the Bremer Company under section 4(c)(6) of the Act to acquire the stock of three proposed insurance agency corporations, witnesses for the applicant described the proposed agricultural credit corporations and their operations. Initially, a request for a determination under section 4(c)(6) with respect to the proposed acquisition of shares in Farmers Agricultural Credit Co. was filed, and that corporation was named in the notice of hearing published in the Federal Register in connection with the January 20, 1966, proceeding. At the hearing, however, in reliance on an unpublished 1965 ruling by the Board and with the concurrence of Board counsel, that request was withdrawn, with the understanding that the hearing examiner would certify to the Board the question of the applicability of section 4(c)(4) to the acquisition of shares in both proposed agricultural credit corporations.

Section 4(c)(4) of the Bank Holding Company Act permits a bank holding company to acquire stock of the kinds, and in the amounts, that are eligible for investment by national banks under the provisions of section 5136 of the Revised Statutes. Section 5136 prohibits national banks from purchasing corporate stocks except as provided by that section (which does not mention the stock of agricultural credit corporations) or as otherwise permitted by law.

Section 23A of the Federal Reserve Act limits the aggregate amount of a member bank's investments in, and (broadly speaking) its loans to, any affiliate (excepting those exempted), as well as advances to third parties secured by the stock (or bonds, or other obligations) of any such affiliate, to not more than 10 per cent of the bank's capital stock and surplus, and to not more than 20 per cent of such stock and surplus in the case of all its (nonexempted) affiliates. Agricultural credit corporation affiliates are exempted from the provisions of the section.

An affiliation within the meaning of section 23A can arise from such circumstances as the existence of common directors or through other circumstances that are beyond the control of the bank regulatory agencies. See 12 U.S.C. § 221a. Thus, if Congress meant for section 23A to permit a member bank to invest in the stock of its affiliates up to the limits prescribed, or without limit in the case of exempted agricultural credit corporation affiliates, then it meant to subvert by mere implication the purpose of other laws (Revised Statutes § 5136 and Federal Reserve Act § 9) that explicitly and narrowly restrict stock investments by such banks. Moreover, section 23A states that, despite the exemption of certain kinds of affiliates from the provisions of that section, "as to any such affiliate, member banks shall continue to be subject to other provisions of law applicable to . . . investments by such banks in stocks, bonds, debentures, or other such obligations."

The Board is now of the view that neither section 23A nor any other provision of Federal law authorizes a national bank or a member State bank to invest in the stock of agricultural credit corporations. Accordingly, the Board has concluded that the Bremer Company's acquisition of such shares would not be exempted by virtue of section 4(c)(4) from the prohibitions of section 4 of the Bank Holding Company Act. However, it may be that the shares qualify for exemption under section 4(c)(6), which permits a bank holding company to acquire "shares of any company all the activities of which are of a financial, fiduciary, or insurance nature" and which are closely related to the business of banking within the meaning of the Act. Indeed, in a 1961 proceeding the Board held that the Bremer Company could, under the authority of section 4(c)(6), acquire shares in Western State Credit Company, an agricultural credit corporation.

It is possible for the requirement of section 4(c)(6) that determinations thereunder be made "after due notice and hearing, and on the basis of the record made at such hearing" to be met in all substantial respects as to both of the Bremer Company's proposed agricultural credit corporations without the necessity of holding another hearing.

The hearing examiner now has under consideration the record made at the January 20, 1966 hearing. If you are satisfied with the adequacy of the record made as to the proposed agricultural credit corporations, you may wish to file a motion with the hearing examiner, in which Board counsel might join, asking that the request for a section 4(c)(6) determination respecting Farmers Agricultural Credit Co. be reinstated, that a request for such a determination respecting Carrington Credit Company be entertained, and that the evidence taken describing these corporations and their proposed activities be considered for such purposes. If you believe that further evidence is necessary or desirable, you may wish to request that it be incorporated into the record by stipulation. The omission of Carrington Credit Company from the notice of hearing can be cured by the publication of an amended notice offering interested persons an opportunity to give testimony respecting that company. If a proper request were received, a further hearing session would be necessary. However, it is most unlikely that such a request will be filed.

If you decide to proceed in this manner, please advise the General Counsel of the Federal Reserve Bank of Minneapolis. A copy of this letter is being sent to the General Counsel and to the hearing examiner for their information.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2  
6/3/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1966



Mr. John A. Sweeney, Vice President,  
Northwest Bancorporation,  
Minneapolis, Minnesota. 55440

Dear Mr. Sweeney:

This refers to the Board's letter of February 8, 1965, advising that Northwest Bancorporation's acquisition of the shares of a proposed agricultural credit corporation would be exempt from the prohibitions of section 4 of the Bank Holding Company Act by virtue of section 4(c)(4) of that Act.

The Board is now of the opinion that the acquisition of agricultural credit corporation shares does not fall within the purview of section 4(c)(4), which permits a bank holding company to acquire stock of the kinds, and in the amounts, that are eligible for investment by national banks. Section 5136 of the Revised Statutes prohibits national banks from investing in corporate stocks except as provided by that section (which does not mention the stock of agricultural credit corporations) or as otherwise permitted by law.

Section 23A of the Federal Reserve Act limits the aggregate amount of a member bank's investments in, and (broadly speaking) its loans to, any affiliate (excepting those exempted), as well as advances to third parties secured by the stock (or bonds, or other obligations) of any such affiliate, to not more than 10 per cent of the bank's capital stock and surplus, and to not more than 20 per cent of such stock and surplus in the case of all its (nonexempted) affiliates. Agricultural credit corporation affiliates are exempted from the provisions of the section.

An affiliation within the meaning of section 23A can arise from such circumstances as the existence of common directors or through

Mr. John A. Sweeney

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other circumstances that are beyond the control of the bank regulatory agencies. See 12 U.S.C. § 221a. Thus, if Congress meant for section 23A to permit a member bank to invest in the stock of its affiliates up to the limits prescribed, or without limit in the case of exempted agricultural credit corporation affiliates, then it meant to subvert by mere implication the purpose of other laws (Revised Statutes § 5136 and Federal Reserve Act § 9) that explicitly and narrowly restrict stock investments by such banks. Moreover, section 23A states that, despite the exemption of certain kinds of affiliates from the provisions of that section, "as to any such affiliate, member banks shall continue to be subject to other provisions of law applicable to . . . investments by such banks in stocks, bonds, debentures, or other such obligations."

The Board is now of the view that neither section 23A nor any other provision of Federal law authorizes a national bank or a member State bank to invest in the stock of an agricultural credit corporation. Accordingly, it must be concluded that section 4(c)(4) of the Bank Holding Company Act does not authorize a bank holding company to invest in such stock. That is not to say, however, that a bank holding company is absolutely precluded from acquiring shares in an agricultural credit corporation. The Board has authorized the acquisition of such shares under section 4(c)(6) of the Act. That section permits a holding company to acquire "shares of any company all the activities of which are of a financial, fiduciary, or insurance nature" and which are closely related to the business of banking within the meaning of the Act, as determined on the basis of the record of a hearing, held after due notice.

It is understood that Northwest Bancorporation, in reliance on the Board's ruling of February 8, 1965, purchased the stock of an agricultural credit corporation. The Board's change of position with respect to the authority of a bank holding company to acquire such stock under section 4(c)(4) of the Act is not intended to affect that purchase. However, please be advised that, henceforth, the 1965 ruling should not be considered as authority for the acquisition of shares in such corporations.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

FEDERAL RESERVE SYSTEM

THE OTTO BREMER COMPANY

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Item No. 3

6/3/66

Amended Notice of Request for Determination  
and Order for Hearing Thereon

Notice was given by publication in 30 Federal Register 16286 (December 30, 1965) that request had been made to the Board of Governors of the Federal Reserve System, pursuant to section 4(c)(6) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(6)) and section 222.5(b) of the Board's Regulation Y (12 CFR 222.5(b)), by the Otto Bremer Company, St. Paul, Minnesota, a bank holding company, for a determination that the activities planned to be undertaken by its proposed subsidiaries, Farmers Agricultural Credit Co., Inc., The Farmers Insurance Agency, Inc., American Insurance Agency, Inc., and The International State Agency, are of the kind described in the aforementioned sections of the Act and the Regulation so as to make it unnecessary for the prohibitions of section 4 of the Act with respect to shares in nonbanking organizations to apply in order to carry out the purposes of the Act. The name of the Carrington Credit Company, another proposed subsidiary, was omitted from that notice. The hearing ordered to be held by that notice has been held and evidence received relating to the proposed activities of the aforementioned proposed subsidiaries, including Carrington Credit Company.

Any person desiring to give testimony in this proceeding concerning the Carrington Credit Company and its proposed activities should file with the Secretary of the Board, directly or through the

Federal Reserve Bank of Minneapolis, Minneapolis, Minnesota, on or before June 28, 1966, a written request containing a statement of the petitioner's interest in the proceeding, and a summary of the matters concerning which said petitioner wishes to give testimony. Such request will be presented to the designated hearing examiner for his determination as to the need for a further hearing in this matter. Persons submitting requests will be notified of the hearing examiner's decision.

Dated at Washington, D. C., this 3rd day of June, 1966.

By order of the Board of Governors.

(SEAL)

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 4  
6/3/66

OFFICE OF THE CHAIRMAN

June 10, 1966

The Honorable Stanley R. Resor,  
Secretary of the Army,  
Department of the Army,  
Washington, D. C. 20310

Dear Mr. Secretary:

Under section 301 of the Defense Production Act and Executive Order 10480, the Board of Governors is authorized to prescribe maximum rates of interest on loans made by commercial banks to corporations or firms having defense production contracts where such loans are guaranteed under that Act by certain agencies of the Government - so-called "V-loans". In prescribing such maximum interest rates, the Board is required first to consult with the heads of the various guaranteeing agencies.

In recent months, some commercial banks have urged that the Board give consideration to an increase in the present 6 per cent maximum rate of interest on V-loans, established in 1957, on the grounds (1) that, because a certain percentage of the interest on the guaranteed part of such a loan must be paid to the guaranteeing agency as a guarantee fee, the net return to the lending bank (e.g., 4.38 per cent on a 90 per cent guaranteed loan) is out of line with current interest rates, and (2) that V-loans involve greater handling costs than other loans.

In the circumstances, the Board will appreciate your views as to whether any change in the maximum interest rate on V-loans would be desirable, having in mind whether the present 6 per cent maximum appears to be deterrent to the financing of defense production contracts. Specifically, the Board would like to have an indication of your preference as to the following alternatives:

The Honorable Stanley R. Resor -2-

1. No change in the present maximum rates;
2. An increase of the present maximum rate to 7 per cent;
3. An increase of the present maximum rate to 8 per cent; or
4. The establishment of a maximum rate 3 per cent above the current Federal Reserve discount rate, which is presently 4-1/2 per cent.

Your suggestions as to other alternatives would of course be welcomed.

If the maximum rate should be increased, your views would be appreciated as to whether there is any reason for which the guaranteeing agency should share in the increased rate of return and, if not, what adjustment might be made in the computation of guarantee fees. For example, it might be provided that, if the rate on the loan is more than 6 per cent, the guarantee fee shall nevertheless be determined as though the loan rate was 6 per cent.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

1949

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

Item No. 5  
6/3/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 6, 1966

Mr. Joseph B. Hall,  
Federal Reserve Agent,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio 44101.

Dear Mr. Hall:

As requested in your letter of May 27, 1966, the Board of Governors approves the appointment of Mr. Warren H. Frey as Federal Reserve Agent's Representative at the Pittsburgh Branch to succeed Mr. Gustav Paulat.

This approval is given with the understanding that Mr. Frey will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Frey may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Pittsburgh Branch, perform such work for the Branch as will not be inconsistent with the duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Frey is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Please have Mr. Frey execute the usual Oath of Office which should then be forwarded to the Board of Governors along with notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

1950

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6

6/3/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 3, 1966

Mr. Hugh D. Galusha, Jr., President,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota. 55440

Dear Mr. Galusha:

In accordance with the request contained in your letter of May 31, 1966, the Board approves the appointment of David J. Freeberg, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Minneapolis, effective July 3, 1966.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.

