

At Cu 8805

**FEDERAL RESERVE BANK  
OF NEW YORK**

April 21, 1980

**SPECIAL CREDIT RESTRAINT PROGRAM**

**Financing Bank Holding Company Formations, and Acquisitions of  
Bank Holding Companies, Banks, or Nonbank Subsidiaries**

*To the Chief Executive Officers of All Commercial  
Banking Institutions in the Second Federal Reserve District:*

Enclosed is a letter, dated April 16, 1980, from Frederick H. Schultz, Vice Chairman of the Board of Governors of the Federal Reserve System, addressed to the chief executive officers of all commercial banks, concerning the Special Credit Restraint Program. In his letter, Vice Chairman Schultz indicates that the Board of Governors' policy of encouraging banks to avoid financing corporate takeovers or mergers applies to the financing of bank holding company formations, and acquisitions of bank holding companies, banks, and nonbank subsidiaries.

ANTHONY M. SOLOMON,  
*President.*



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

FREDERICK H. SCHULTZ  
VICE CHAIRMAN

April 16, 1980

TO: Chief Executive Officers of All Commercial Banks

RE: Special Credit Restraint Program

As you know in meeting the guidelines for the growth in total bank credit of 6-9 per cent under the Special Credit Restraint Program banks are encouraged to avoid the financing of corporate takeovers or mergers and the retirement of corporate stock except in those limited circumstances where such a loan may be justified in terms of production or economic efficiency commensurate with the size of the loan. I wish to stress that the Board considers this policy to be applicable to the financing of formations of bank holding companies and acquisitions of bank holding companies, banks and nonbank subsidiaries. Accordingly, banks should take special measures to avoid loans for such purposes unless they meet the production or economic efficiency criteria.

The Board expects that banks will carefully review and modify their lending policies to be consistent with the policies expressed in this letter and will examine their outstanding nonbinding commitments covering acquisition financing with a view to reducing or terminating such commitments consistent with the purposes of the Special Credit Restraint Program.

I expect and appreciate your cooperation in this and all other aspects of the Board's and the Administration's anti-inflation program.

Sincerely,

A handwritten signature in cursive script, appearing to read "F. H. Schultz", is written over the typed name.

Frederick H. Schultz