

January 29, 1969

MEMORANDUM FOR

Honorable David M. Kennedy
Secretary of the Treasury

I am concerned about the possible adverse effects that the present interest rate ceilings on Treasury issues and bank deposits may have on the economy at some time in the future. The report submitted by Arthur Burns' group contains recommendations in the following areas:

- (1) Interest Rate Ceiling on Treasury Issues
- (2) Interest Ceiling on Deposits

I would like you to review these recommendations and report to me by February 3, 1969.

When you send me your report, please send a copy to Arthur Burns.

RN:Burns:trd

EXECUTIVE

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FG 12

FG 24

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FI 2

January 30, 1969

MEMORANDUM FOR

Honorable Maurice H. Stans
Secretary of Commerce

The Community Self-Determination Act, which is discussed in the report of Arthur Burns' group, calls for the establishment of community development corporations and community development banks, in addition to providing tax incentives for certain poverty area business operations.

It has been pointed out that the Act might well lead to the exercise of considerable monopoly-type control by vocal and politically astute local leaders as well as the dubious use of financial resources made available under the measure.

I would appreciate having your analysis of this measure and your recommendations in relation to it by February 17, 1969.

I am sending a similar letter to the Secretaries of the Treasury and Housing and Urban Development. *Attached*

When you send me your report, please send a copy to Arthur Burns.

RICHARD NIXON

RN:BURNS:ms

*Green Copies used for FG #12
White Copies for Chron.*

February 4, 1969

MEMORANDUM FOR

Honorable David M. Kennedy
Secretary of the Treasury

I am informed by Arthur Burns that you have prepared a draft of legislation that deals with the serious problem provided by one-bank holding companies. I am much pleased by your initiative.

Please send me a draft of a suggested message to the Congress along with a draft of the proposed legislation concerning one-bank holding companies. Let me have this by February 7, 1969.

When you submit your report to me, please send a copy to Arthur Burns.

RICHARD NIXON

cc: Secretary Stans
Paul McCracken
Robert Mayo
The Vice President
Bryce Harlow
Herb Klein
Ron Ziegler

RN:Burns:rba

ms/gk
EXECUTIVE (3)

February 8, 1969

FI 2

LG/DEERFIELD

FG 12

MEMORANDUM FOR BILL SAFIRE

FROM: Dale Grubb

SUBJECT: Application for National Bank in Deerfield Beach, Florida

You will find attached, your correspondence that was presented to Bryce Harlow for appropriate action. This was discussed with Ed Morgan and he in turn personally passed on copies of this correspondence to Dr. Charles Walker, Under Secretary of the Treasury.

I telephoned Dr. Walker and he is handling this matter and will correspond with Milton Weir, Jr.

Nothing else sent to
Central Files as of 3/11/69
WR

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CENTRAL FILES

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MEMORANDUM OF INFORMATION FOR THE FILE

DATE 3/6/69

EXECUTIVE

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F12

BE4

LE

LETTER, MEMO, ETC.

TO: Carl L. Shipley

FROM: John E. Bricker

SUBJECT: Legislation

Republican National
Committee

CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE

5th DRAFT: ONE-BANK HOLDING
COMPANY MESSAGE

13 March 1969.

Today I am submitting to the Congress the proposed Bank Holding Company Act of 1969 -- legislation which would reasonably but effectively stop a trend toward the merging of banking and commerce. This trend, just now developing, threatens to change the nature of American private enterprise.

President Eisenhower, in signing the ^{Bank} Holding Company Act of 1956, noted that the legislation did not go far enough, and that further attention of the Congress would be necessary to control activities which could result from the exemptions in the Act.

The time has come for the Congress to remove those exemptions.

The 1956 Act provided for the regulation of all holding companies owning 25 per cent or more of the stock of two or more banks. This means that a holding company controlling only one bank is immune to the Act, particularly that central provision which, in business keeping with American tradition, prohibits the mixing of banking and commerce within one corporate structure.

For a decade, the 1956 Act worked satisfactorily. The 117 one-bank holding companies in existence when the Act was passed were increased by an average of 40 per year, and in most cases these were small banks.

Nothing else sent to
Central Files as of 4/16/69
W.C.

EXECUTIVE

FG 12

FI 2

SP2-3/1969

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THE WHITE HOUSE
WASHINGTON

March 20, 1969

MEMORANDUM FOR
BOB HALDEMAN

Attached is a Presidential message to Congress regarding One-Bank Holding Companies.

Also attached is appropriate background. At Tab A is a synopsis of the discussion on One-Bank Holding Companies which took place at the GOP Legislative Leaders Meeting on March 18.

The consensus of the legislators present is that the President should not send a message to Congress supporting this legislation. This opinion is shared by Bryce Harlow and the members of his staff. (See Tab C)

At Tab B is a memorandum from the Secretary of the Treasury urging the President to send a message to Congress supporting the legislation. It is my understanding that the Secretary's position is supported by Arthur Burns.


KEN COLE

Attachment

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Date March 28, 1969

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From the desk of Charles E. Walker

EXECUTIVE

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To: Mr. Kenneth R. Cole

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Ken:

For information.

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now developing,

The Under Secretary of the Treasury
Room 3326

BW

EXECUTIVE

FI 2

FG 106

March 31, 1969

MEMORANDUM FOR MR. JOHN EHRLICHMAN

Subject: District of Columbia Banks -- Amendment In Law
Needed To Permit Authorization For Closing In
Event of Emergency/Or Other Special Occasions

I address this to you because I figure that your office will
at least know where it should be directed.

In a talk this morning with the president of a local bank
(the^x Madison) I discovered a particular problem that exists here
in the District which it seems to me ought to be remedied.

The local banks, it seems, wanted to close today for the
Eisenhower day of mourning. They got a letter from the
Controller of the Currency agreeing to it. But Washington
being Washington, they couldn't legally do it without specific
authorization from Congress itself. This simply couldn't be
gotten over the weekend and so they had to remain open. But
as late as 9:00 last night, the bank president told me, he still
didn't know whether they were going to be open or closed today.
What particularly worries the bankers is that the same sort of
snafu might occur in the case of an emergency, such as civil
disturbance. He says that in most jurisdictions, the banks can
close on authorization by the Governor; he suggests that the law
for the District ought to be amended so that some one responsible
official, such as the Controller of the Currency, can give the
needed authorization. It certainly seems to me to make sense.

in RKP Jr.

Raymond K. Price, Jr.

RKPJr/mrf

Nothing else sent to
Central Files as of 5/26/69

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STATEMENT OF THE HONORABLE CHARLS E. WALKER
UNDER SECRETARY OF THE TREASURY
BEFORE
THE HOUSE COMMITTEE ON BANKING AND CURRENCY
WEDNESDAY, APRIL 2, 1969, 10:00 A.M.



OFFICE OF THE SECRETARY

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

EXECUTIVE

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(2)

lm.
April 7, 1969

MEMORANDUM FOR HONORABLE H. R. HALDEMAN

The Secretary has asked that I forward a copy
of the enclosed to you.

Pat

L. Patrick Gray, III
Executive Assistant

Asa V. Call

INCOMING MEMO TO BOB HALDEMAN

PLS. FILE

MC
THE WHITE HOUSE
RECEIVED

1969 APR 7 PM 2 06

SUBJECT: _____

ACTION: _____

ASA V. CALL
HONORARY CHAIRMAN
PACIFIC MUTUAL LIFE INSURANCE COMPANY
LOS ANGELES

March 20, 1969

The Honorable Robert H. Finch
The Secretary of Health, Education
and Welfare
330 Independence Avenue SW
Washington, D.C. 20201

Mr. Gray
CF

re: One-Bank Holding Companies

Dear Bob:

We have in this country at the present time, three types of banking operations.

One, banks that operate solely as banks. These institutions are regulated by either the State or Federal Banking Law or both. They come under the supervision of the Superintendent of Banks of the states in which they are formed, and either the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation depending upon whether the bank is a member of the Federal Reserve System. National banks are under the jurisdiction of the Comptroller of the Currency.

Two, banks that are under the jurisdiction of the Bank Holding Company Act of 1956. Banks in this category are rather strictly regulated, some by both state and federal laws and the scope of their activities is further limited by the Bank Holding Company Act. They are commonly known as "affiliates of registered bank holding companies".

Three, banks that come under the category of what is now called one-bank holding companies. There are some 600 small one-bank holding companies, many operating in rural areas, which really are not important in this country's overall economy and for the purpose of this letter will be ignored. On the other hand there are 34 of the 100 largest commercial banks in the United States which have formed or announced plans to form one-bank holding companies. The deposits of these banks bring the total of commercial bank deposits in existing and proposed one-bank holding companies to approximately 30% of all the commercial bank deposits in Federal Insured Banks in the United States.

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The number of banks in this category is steadily growing. There is definite need for federal regulation to govern one-bank holding companies. At the same time there is need to adjust the Bank Holding Company Act of 1956 so that banks which come under that Act, as affiliates of registered bank holding companies, can compete equally with banks owned by one-bank holding companies. The 600 small banks first mentioned in this letter could be well exempted from any legislation to cure the problems of the necessary legislation required to regulate the giant one-bank holding companies. Certainly the one-bank holding companies should not have any more liberties in conducting their activities than those that are regulated by the Bank Holding Company Act of 1956.

It is important to have in mind the distinction between registered holding companies (those which are subject to the Bank Holding Company Act of 1956) and one-bank holding companies. The one-bank holding company, as the name implies, is a corporation which controls one bank only and as such is not subject to the Bank Holding Company Act and, therefore, is in no wise limited to the business of banking only. Accordingly, there is an existing serious imbalance in the competitive opportunity between bank holding companies (i.e. registered bank holding companies which are subject to the Bank Holding Company Act of 1956) on the one hand, and the one-bank holding companies on the other.

This situation should not be allowed to continue further. This conclusion is based on the equities involved insofar as the rights of registered bank holding companies are concerned, but also because of the necessary adverse effect this has on the economy generally.

It is important to keep in mind that banks generally, which are not an affiliate of a one-bank holding company, (and this includes overwhelmingly the largest number of banks in the United States) are the victims of a like imbalance between their competitive opportunities and those which are open to the presently unregulated one-bank holding company banks and this imbalance just as urgently calls for correction.

The overwhelming consensus of the federal bank supervisory authorities, the Treasury Department and spokesman for the administration, and many of the leading banks and bankers of the nation, supports the proposition that the present vacuum in the law whereby one-bank holding companies escape salutary restraints on the business activities which such companies may presently penetrate at will, is potentially a most dangerous development in our economy which calls for a concomitant legislative reaction.

Banking is historically, and properly so, a separate category in the American economy and traditionally has been maintained separate and apart from other business enterprises through reasonable governmental compartmentation. That is to say, banks as such are limited to those areas of activities which reasonably pertain to the business of banking.

The fact of the matter is that a one-bank company -- as distinguished from the rest of the banking industry -- may through the corporate device of the holding company medium, join the activities of the bank affiliate under a common parent with almost any other type of activities, in any place in the United States and, for that matter, anywhere in the world, assuming the laws of the foreign nations would permit. This situation confronts the Congress with a complete departure from the established compartmentation referred to above which has proven its desirability. The dimensions of such confrontation was clearly evident from the data shown in the Staff Report for the Committee on Banking and Currency of the House, released on February 11, 1969, attached.

The foregoing considerations in favor of legislation being enacted in this Congress to govern one-bank holding companies is not to be diluted or covered over by considerations pertaining to the some 600 small and frequently rural one-bank holding companies hereinabove mentioned and which heretofore have been exempted from legislation pertaining to bank holding companies on the theory that to disturb their long existing position in the economy would create more problems than their regulation would cure. It is possibly desirable that some special treatment be given to these companies, whose total holdings are relatively insignificant when considering the one-bank holding companies of the type which is the primary subject of this memorandum.

Another consideration in favor of new legislation governing one-bank holding companies is the admitted desirability of tempering the rather harsh restraints in the existing federal banking laws, specifically including the Bank Holding Company Act of 1956, by providing for a greater range of bank related business activities which may be engaged in by banks and all types of bank holding companies. This desirability is prompted by the growing and ever-widening spectrum of bank related services which the economy continues to demand. The Board of Governors of the Federal Reserve System, for example, which has most restrictively administered the Federal Reserve Act and the existing Bank Holding Company Act has given indications that it now favors this liberalization. This tempering of the present restraints should be provided for by appropriate legislation by the present Congress.

Also, it cannot be too strongly stressed that the argument often heard to the effect that one-bank holding companies are already adequately regulated by existing laws is a delusion. Those same laws, which this argument refers to, were on the books at the time of the enactment of the Bank Holding Company Act of 1956. After hearings and legislative proposals which extended over a period which began in the 1930's and culminated in the enactment of the 1956 law, Congress, in its wisdom, did not accept that same contention then made that new legislation in 1956 was not necessary because of the existence of these very same laws. The Federal banking supervisory authorities who have the responsibility and expertise in such matters do not accept that argument as being valid and these are the very agencies which are vested with authority by these existing laws. The fact of the matter is as these authorities point out, the one bank device can potentially re-structure the American economy, absent ultimate intervention by Congress or the courts.

Given up-to-date laws and intelligent regulation, the one-bank holding company movement might never have occurred. Bankers organized these vehicles of expansion simply because they could no longer afford to wait for changes in existing statutes and no longer could put up with the kind of straight-jacket attitudes of such regulatory restraints as those imposed by the Board of Governors. Events are moving rapidly in the matter of one-bank holding companies so that a certain degree of risk is attached to any delay in appropriate legislation. As you know, there appears to be three different major proposals for controlling the one bank holding companies. I have been informed that two have already been introduced in bill form - H.R. 6778 by Congressman Patman and S. 1052 by Senator Proxmire. A third, the Administration's bill has been or will be introduced shortly, probably by Senator Sparkman, Chairman of the Senate Banking Committee who may be joined by Senator Bennett.

I will not attempt to analyze my understanding of the various bills just referred to. I do know, however, that most interest centers on the one endorsed by the Administration. As you well know, there is often a great difference between the initial proposal and the measure finally enacted. This will probably be the case with the Administration Bill when it finally appears. The measure may well emerge a substantially different law than originally proposed. In any event it is my belief that there has to and will be a statutory requirement for coordination between the activities permitted one-bank holding companies and banks now operating under the Bank Holding Company Act. I also believe that the Act should restrict the activities of both types

of operations to financial and financially related services. Much further liberalization would permit banks to enter into all kinds of business not related to banking. It seems to me that the Administration bill has the most merit.

It is becoming increasingly apparent that there will be legislation enacted to accomplish regulation of the one-bank companies. The important consideration is to assure that the new law will not only provide proper regulation, rather than unduly restrictive regulation, but that it will also satisfy the banking needs of the public by permitting the banking industry as a whole to engage in activities appropriate to the present economy.

I do hope that you will find time to discuss this matter with people known to you in Washington who are also informed on this subject who can fill you in with additional information. If you like, I will attempt to find the answers to any questions you may have in your mind.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Asa V. Call', with a long horizontal stroke extending to the right.

Asa V. Call

P.S. This is a copy of a letter I have written to Senator Murphy, and also to Senator Cranston who asked that I send him my views on this subject.

EXCERPTS FROM THE STAFF REPORT OF FEBRUARY 11, 1969, FOR THE HOUSE BANKING AND CURRENCY COMMITTEE, ENTITLED:

"THE GROWTH OF UNREGISTERED BANK HOLDING COMPANIES - PROBLEMS AND PROSPECTS"

"The following data clearly shows the substantial growth of unregulated bank holding company operations since 1955:

In the 14 years from 1955 through 1968 the number of known unregistered bank holding companies, both existing and proposed, has grown almost seven-fold from 117 to 783. In dollar amount of bank deposits, the increase has been from \$11.6 billion to \$108.2 billion, a growth of over 800 percent.

"Within the last 12 to 18 months, 34 of the 100 largest commercial banks in the United States with deposits of over \$100 billion, have formed or announced plans to form one bank holding companies. This includes 9 of the 12 largest commercial banks in the United States.

"As of the end of 1968 over 27.5 percent of commercial bank deposits in all Federally-insured banks in the United States were controlled by existing or proposed one bank holding companies. As examples of the growth of unregistered one bank holding companies in major banking states, as of the end of 1968, more than forty-five percent of all commercial bank deposits in New York State were held by banks which are or soon will be unregistered one bank holding companies. The figure for California is now more than 65 percent of all commercial bank deposits.

The 34 of 100 largest commercial banks in the United States which have formed or announced plans to form one bank holding companies - As of December 31, 1968

Bank as of
June 30,
1968

Name of Bank, City, and State

1	Bank of America NT&SA, San Francisco, California
2	Chase Manhattan Bank NA, New York, New York
3	First National City Bank, New York, New York
4	Manufacturers Hanover Trust Co., New York, New York
5	Morgan Guaranty Trust Company, New York, New York
6	Chemical Bank New York Trust Co., New York, New York
8	Continental Illinois NB&T Co., Chicago, Illinois
11	Wells Fargo Bank, San Francisco, California
12	Crocker-Citizens National Bank, San Francisco, California
21	First Penn. Banking and Trust Co., Philadelphia, Pennsylvania
30	United States National Bank of Oregon, Portland, Oregon
31	Pittsburgh National Bank, Pittsburgh, Pennsylvania
32	National Bank of North America, Jamaica, New York
35	Union Bank, Los Angeles, California
37	Girard Trust Bank, Philadelphia, Pennsylvania
42	Wachovia Bank and Trust Co., Winston-Salem, North Carolina
43	Fidelity Bank, Philadelphia, Pennsylvania
47	National Bank of Commerce, Seattle, Washington
50	North Carolina National Bank, Charlotte, North Carolina
54	Indiana National Bank, Indianapolis, Indiana
55	Maryland National Bank, Baltimore, Maryland
56	American Fletcher NB&T Co., Indianapolis, Indiana
57	Texas National Bank of Commerce, Houston, Texas
59	Hartford National Bank and Trust Co., Hartford, Connecticut
64	Industrial National Bank of Rhode Island, Providence, Rhode Island
65	First Western Bank and Trust Co., Los Angeles, California
70	First Union National Bank of North Carolina, Charlotte, North Carolina
71	Western Pennsylvania National Bank, Pittsburgh, Pennsylvania
72	First National Bank, Atlanta, Georgia
79	American National Bank and Trust Co., Chicago, Illinois
80	First and Merchants National Bank, Richmond, Virginia
87	First National Bank, Memphis, Tennessee
89	Whitney National Bank, New Orleans, Louisiana
100	Union Commerce Bank, Cleveland Ohio

gah/

STATEMENT OF THE HONORABLE
PAUL W. EGGERS, GENERAL COUNSEL
DEPARTMENT OF THE TREASURY
BEFORE THE SENATE COMMITTEE ON BANKING AND CURRENCY
ON S.34 AND S.296
APRIL 15, 1969

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EXECUTIVE

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Mr. Chairman and Members of the Committee:

I appreciate the opportunity to appear before the Committee this morning to testify on S.34 and S.296.

These bills would effect a number of significant changes in the Investment Company Act and the Investment Advisors Act. In addition, they have several features which would affect bank trust department activities. Because it is in this latter respect that the proposed legislation falls within the particular field of interest of the Treasury Department, I will devote the bulk of my comments this morning to these portions of the bills. Further, because the two bills have the same effect in this regard, I will for simplicity's sake, refer only to S.34.

S.34 would resolve several questions which have arisen concerning the operation by banks of collective investment funds. These questions

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STATEMENT BY THE HONORABLE CHARLS E. WALKER
UNDER SECRETARY OF THE TREASURY
BEFORE THE HOUSE COMMITTEE ON
BANKING AND CURRENCY

10:00 A.M., Thursday, April 17, 1969

Mr. Chairman and Members of the Committee, I want to thank you for the opportunity to participate with Secretary Kennedy and Assistant Attorney General McLaren in presenting the Administration's position on Federal regulation of one-bank holding companies.

As the Secretary emphasized, our bill has one simple purpose: to draw a fair but firm line between banking and commerce. Conceptually, this may be relatively easy; in practice there are many complexities.

Let me describe some of those complexities in order to clarify the logic of the provisions of H.R. 9385.

Inasmuch as no one proposes to prohibit the formation of one-bank holding companies, but only to regulate their acquisitions, the first problem lies in defining the appropriate types of activities or functions for such corporations.

Our view is that the essence of banking today is the purveying of financial and related services. Clearly, banking in 1969 involves much more than the acceptance of deposits and the granting of loans.

Beyond fundamental definitions is the question of how far Congress should go in spelling out the scope of these financial and

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STATEMENT BY THE HONORABLE CHARLS E. WALKER
UNDER SECRETARY OF THE TREASURY
BEFORE THE HOUSE COMMITTEE ON
BANKING AND CURRENCY

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Beyond fundamental definitions is the question of how far Congress should go in spelling out the scope of these financial and

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STATEMENT BY THE HONORABLE DAVID M. KENNEDY
SECRETARY OF THE TREASURY
BEFORE
THE HOUSE COMMITTEE ON BANKING AND CURRENCY
10:00 A.M., THURSDAY, APRIL 17, 1969

Mr. Chairman and Members of the Committee:

I want to thank you, Mr. Chairman, and the other members of the Committee for giving Administration witnesses an early opportunity in these hearings to express our full support for legislation to regulate one bank holding companies and to recommend enactment of H.R. 9385. My brief remarks will be followed by more comprehensive statements by Under Secretary of the Treasury Walker and Assistant Attorney General McLaren.

H.R. 9385 is preventive legislation. It would reasonably, but effectively, stop a trend toward the merging of banking and commerce. This trend, just now developing, threatens to change the nature of the American private enterprise. Our economy could shift from one where commercial and financial power is now separated and dispersed into a structure dominated by huge centers of economic and financial power. Each would consist of a corporate conglomerate controlling a large bank, or a multi-billion dollar bank controlling a large nonfinancial conglomerate.

K-61



INTER-AMERICAN DEVELOPMENT BANK

808 17th. ST. N.W. WASHINGTON, D.C. 20577 TELEPHONE, EX 3-4171

NEWS RELEASE

April 21, 1969

EXECUTIVE

ITB

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FOR RELEASE AT 10:00 A.M.
TUESDAY, APRIL 22, 1969

FELIPE HERRERA^X FORESEES INTER-AMERICAN BANK LOAN INCREASE

Felipe Herrera^X, President of the Inter-American Bank, expressed optimism today over the Bank's capacity to substantially increase its rate of lending in the next three years for development projects in Latin America.

"It is not unrealistic to program our loan activity 40 to 50 per cent above the \$400 million annual average recorded by the Bank in the past," Mr. Herrera said. Bank loans in 1968, he noted, totaled some \$431 million, while they have reached nearly \$200 million so far this year, raising the Bank's cumulative lending figure to \$3 billion.

Speaking before the Bank's Tenth Board of Governors Meeting being held this week in Guatemala, Mr. Herrera examined the Bank's activity in the light of Latin America's productive structure, its process of capital formation and urban growth, its economic integration and its external financing and foreign trade. The Board is composed of 22 Governors who are generally the ministers of finance, treasury or economy of the Bank's member nations.

The IDB President said the Bank plans to intensify its activity in all sectors which are now receiving its attention--agriculture,

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APR 26 1969

April 25, 1969

MEMORANDUM FOR THE PRESIDENT

FROM: Arthur F. Burns

SUBJECT: Administration Position on S. 34 --
"Investment Company Amendments Act of 1968"

I recommend that the Administration informally support Senator Bennett's efforts in the Banking and Currency Committee to soften some of the proposed legislation's more restrictive provisions, and that Chairman Eudge be apprised of such Administration support.

The compromise proposals that Senator Bennett expects to present are as follows:

1. With regard to management fees, shareholders must hold 1 or 2% of the total shares outstanding in order to qualify as party plaintiffs.
2. The SEC should be given power to seek relief for breach of fiduciary duty involving personal misconduct by directors of the funds.
3. A mutual fund contractual plan could deduct a maximum of 50% from the first year's payments as a sales load, just as at present; but any person withdrawing from a contractual plan during the first three years would obtain reasonable relief from the investment company.

AFB:ccm

Copy to Bryce Harlow

EXECUTIVE

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U.S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

APR 29 1969

MEMORANDUM FOR THE PRESIDENT

Included in the materials sent you earlier on the Comprehensive Manpower Act was a preliminary description of a title which would authorize a National Computer Job Bank. This will amplify that description of the Job Bank's proposed operation.

The Job Bank will fully utilize modern computer technology to provide ready access to current and effective information regarding job vacancies and job applicants. This information would be provided in the manner which would best facilitate the matching of workers and jobs. The "Bank" will consist of a series of Federally funded Job Banks under State administration and a National Bank under the direction of the Secretary of Labor to assemble and disseminate information received from the State Job Banks for use in interstate placements.

Faster service in referrals and placements, more efficient serving of applicants, increased exposure of applicants to job opportunities, and the obtaining of more accurate economic indicators and labor market information will be possible. The Bank's contribution to the more efficient functioning of the labor market should result in a reduction of frictional unemployment. The Job Bank should hasten the filling of vacancies in shortage occupations and expand placement opportunities for the disadvantaged.

States will be permitted to select their own type of computer hardware, provided it is compatible with systems used in other States and in the National Job Bank. The Federal government would have access to all information in State systems. The Secretary of Labor will have the authority to prescribe technical standards regarding the hardware and system operation to insure an effectively integrated and nationwide system.

The Secretary will be authorized to establish regional computer centers to serve more than one State in those areas where establishment of such centers would be more economical than having a separate center in each State.

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APR 30 1969

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May 29, 1969

MEMORANDUM FOR

H. R. HALDEMAN

Tab A is a letter to you from Eugene Becker, Assistant Secretary of the Army, proposing the creation of an Urban Development Credit Guaranty Bank.

The letter was referred to Pat Moynihan (Tab B) who indicated that he thinks the proposal has some merit but should be pursued only as a part of a larger discussion in relation to the other proposals which are so similar.

Mr. Becker had brought this proposal to the attention of Dr. Burns (Tab C) earlier this year. Dr. Burns referred it to Treasury for review and recommendations. Treasury's analysis (Tab D) indicated that the proposal lacked detailed provisions concerning organization, structure, cost and financing. Dr. Burns recommends that it would not be productive to pursue Mr. Becker's proposal at this time.

RECOMMENDATION

I recommend that we do not pursue this proposal further at this time and that you approve the attached response (Tab E) from Ken Cole to Mr. Becker.

Approve _____

Disapprove _____

John R. Brown

RECEIVED
OCT 20 1969
CENTRAL FILES

May 29, 1969

MEMORANDUM FOR H. R. HALDEMAN

Attached is the draft of a letter Secretary Kennedy plans to send to Rep. Wright Patman on Monday and to release to the press. This is in response to Patman's telegram to the Secretary, urging him to block banks from increasing the prime lending rate.

Secretary Kennedy and Under Secretary Volcker have approved the letter. Under Secretary Walker has been in on the discussions and has made a public statement along the same lines in a New York Q&A. Paul McCracken, Bob Mayo, and Bill Martin have not seen the draft itself but approve of this approach.

Dr. Burns has seen the letter and thinks it is all right.

FOR: THE PRESIDENT
FROM: BOB HALDEMAN

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Herb Klein
Herb Klein

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JUN 3 1969
CENTRAL FILES

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7/16-11-1/Myrdal, David

7/16-11-1/Burns, Arthur

7/16-11-1/Brown, John R.

7/16-11-1/Haldeman, H.R.

THE WHITE HOUSE

WASHINGTON

May 29, 1969

June 5, 1969

MEMORANDUM FOR

H. R. HALDEMAN

Dear Mr. Becker:

Bob Haldeman asked me to write and thank you for your recent letter proposing the creation of an Urban Development Credit Guaranty Bank.

He appreciates your bringing this to his attention and wants you to know that it will be taken under review along with several other proposals of a similar nature.

With Mr. Haldeman's best wishes,

Sincerely,

Dr. Burns has brought this proposal to the attention of Dr. Burns. Dr. Burns referred it to Treasury for recommendations. Treasury's analysis (Tab D) recommends that the proposal be approved. Kenneth R. Cole, Jr. provisions concerning Special Assistant to the President. Dr. Burns recommends that it would not be presented to the President.

Honorable Eugene M. Becker
Assistant Secretary of the Army
Department of the Army
Washington, D.C.

Charles C. Walker

Approve

Disapprove

John R. Brown

KRC:cap

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JUN 6 1969
GENERAL FILES

EXECUTIVE

PP13-5

FI2

June 10, 1969

Dear Parry:

I want you to know how much I appreciated your offering the services of the Crocker-Citizens National Bank in San Clemente. You may be sure we are greatly looking forward to the time we will spend in San Clemente in the days ahead, and it is good to know the name and location of the nearest bank.

Your friendship over the years has meant a great deal to me and I shall always be grateful for your active support of my efforts.

With appreciation and very best wishes,

Sincerely,

RN

Mr. Parry O'Brien
Assistant Vice President
Crocker-Citizens National Bank
Crocker-Citizens Plaza
611 West Sixth Street
Los Angeles, California 90054

RN:Higgins:rks

cc: Rose Mary Woods w/cy of incoming

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JUN 12 1969
CENTRAL FILES

EF

MEMORANDUM OF INFORMATION FOR THE FILE

DATE

6/30/69

EXECUTIVE

513

FI2

FG1

PR16

LETTER, MEMO, ETC.

TO:

Ken Cole

FROM:

Bud Krogh

SUBJECT:

Bank Robbery Violations

FG6-11-1/E. J. Sullivan,
John
FG17

100

CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL FILE

elm.

BROUGHT FORWARD

EXECUTIVE

712
Previously filed

8/11/69
Date

NAME L. D. Milton

ORGANIZATION Citizens Trust
Company

EXECUTIVE

712
New File Symbol

9/26/69
Date

FINAL ACTION President's Sta. to
L. D. Milton

EXECUTIVE

412
415-6-1

ED

elm
August 20, 1969

MEMORANDUM FOR BUD KROGH

From: Checker Finn

By all means gear Sutcliffe in. (Or are you suggesting I should?) Support can't possibly hurt, and the Senate-House Conference may be crucial. More immediately, if Sutcliffe and crew can think of any way of goosing more banks to follow the President's request that they make loans in the interim, that would be immensely helpful. Between now and mid-September, an awful lot of kids may find themselves without college money, all because of this delay.

If I'm confusing on this whole issue, it's because (a) it's complicated, and (b) I'm a real novice at Congressional matters, and have been getting my signals here from Creed Black's shop (esp. Chuck Saunders) and Bryce's.

On another matter, I hope our kiddy conference isn't completely dead. More and more people keep asking me "What are we doing to prepare for autumn on campus?" Today that included guys from Justice and HEW. People are edgy, and also ready to pitch in.

Parenthetically, I should add that my impression is that John C. is more than a little frustrated and discouraged with this whole area, and is looking to you to provide the mandate for action.

Nothing else sent to
Central Files as of 9/22/69
W.R.

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AUG 21 1969
CENTRAL FILES

THE WHITE HOUSE
WASHINGTON

8/22/69

EXECUTIVE

FI 2

FG 124

IS 6

BC →

Rep. Don Kuykendall called
to ASK W-H support for
federal insurance application
for "PEOPLES S+L ASSN" of
LLANO, TEXAS. Apparently
"Community S+L ASSN" of
Fredericksburg, TEXAS is
holding up approval. (This
is dominated by LBJ interests)
Peoples has charter to operate
in counties Community does not.

I think this is pending before
Fed S+L Ins Corp. This one of
the indep offices (regulatory)

Memo from—

Date 8/26/69

WILLIAM E. CASSELMAN II

To Jon Rose:

Per our recent discussions

Please advise. Thanks.

restrictions? Thanks

Bill

Check OLC

- ☐ For your information
- ☐ For your comments
- ☐ Please handle
- ☐ Please take up with me
- ☐ For your approval
- ☐ Please file
- ☐ PLEASE RETURN

RECEIVED
JUL 7 1970
CENTRAL FILE

Memo from—

Date 8/26 / 69

WILLIAM E. CASSELMAN II

To Jon Rose:

~~Per our recent discussions~~

Please advise. Thanks.

Will

- ☐ For your information
- ☐ For your comments
- ☐ Please handle
- ☐ Please take up with me
- ☐ For your approval
- ☐ Please file
- ☐ PLEASE RETURN

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

that we are prohibited from
contacting? If not, do
we know anybody there?

BT

EXECUTIVE

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 9, 1969

PAUL W. MCCrackEN, CHAIRMAN
HENDRIK S. HOUTHAKKER
HERBERT STEIN

MEMORANDUM FOR THE HONORABLE ROBERT P. MAYO
DIRECTOR
BUREAU OF THE BUDGET

Subject: Federal Financing Bank

The Treasury draft specifications for a Federal Financing Bank (dated August 29, 1969) show that Kennedy, McCracken, Mayo, et al. were right the first time, because they show how strong is the fascination of the loan account outside the budget and therefore how necessary it is to resist. Every nod of agreement to one loosening of budgetary restraints produces the suggestion of another loosening.

We have now gone through three steps:

1. It was first proposed that the Bank would make loans to States and localities for programs where there was a Federal guarantee, interest subsidy or capital subsidy. This had the apparent advantage of reducing the supply of tax exempts. Moreover, since the Bank's lending to the States and localities would replace borrowing of the States and localities from the market, which never went through the Federal budget anyway, the proposal did not remove from the budget anything that had ever been in it. There was, I thought, the danger that the Bank would further increase the dependence of the States and localities on the development of specific Federal aid programs, since these programs were the ticket of admission to the Bank. It seemed to me more consistent with the philosophy of this Administration to give a flat interest subsidy for all taxable State and local borrowing, rather than requiring Federal approval for subsidy to particular programs. However, I became persuaded that the two ideas were not inconsistent. There might be some small municipalities for whom the Federal Bank would provide useful intermediation. At the same time the existence of the general subsidy might reduce pressure for specific assistance programs.

2. Once a certain measure of agreement had been reached on a Federal Bank to finance States and localities, the proposal was broadened to include financing of private borrowers whose obligations had a full Federal guarantee. Since these guarantees never appeared in the Federal budget, having the Bank purchase guaranteed obligations would not take anything out of the budget. Nevertheless there would probably be an effect on the economy, depending on the terms on which the Bank would buy the guaranteed obligations. Presumably these terms would be more favorable than the borrowers can obtain directly. If so, we can reasonably expect an increase in the proportion of national savings absorbed by investment financed by Federally-guaranteed borrowing.

3. Although the function of the Bank is described as the purchase of fully guaranteed or insured obligations, the attached tables estimating the volume of the Bank's activity show it making or purchasing what would otherwise be direct loans included in the budget. This is a natural and probably inevitable step. Why should a Congressional Committee or sponsoring agency make direct loans charged against the budget when the loans could be just as well made by this handy Bank outside the budget? Once we get to this point it is obvious that the consequence of having the Bank will be more lending or more spending or both.

I think the basic question we have to ask about the Bank is whether we want to encourage the expansion of Federal lending and spending. There are several things that might be said about that. One is that means are already being found to get lending out of the budget, by guarantees or interest subsidies, so we might as well regularize and facilitate the process. But that isn't the whole story. These means that are being found are not as easy and available as the Bank would be. Nobody found a way to get the SST out of the Budget. Farmers Home and Ex-Im Bank are having difficulties getting outside the budget and their activities are limited by this fact. The messy ways we now have of getting outside the budget serve as a constraint.

It may be said that this constraint is unreasonable, because these loans and guarantees "only" divert credit and savings from one use to another. Still, there is a real question about the extent to which we want to increase the proportion of the flow of saving that is directed by Federal programs. Further, there is a question whether we want all the Federally-stimulated programs to be at the expense of spontaneous

non-Federal (private, State and local) uses of saving. If we do not, we should keep some or all of the credit programs in the budget where they will be an alternative to private consumption (via taxes) or Federal spending.

I think the point can be put this way:

I.	Saving available to finance <u>Non-Federal Investment</u>	=	II.	<u>Non-Federal Investment</u>
	A. Private saving			A. Really non-Federal
	B. Federal budget surplus			B. Federally guaranteed
	C. Federal net lending in budget			C. Federal loans (in or out of budget)

The Bank will reduce the amount of Federal net lending in the budget and also increase both Federally guaranteed loans and Federal loans (in and out of budget combined). The result will be to reduce the "really" non-Federal investment -- that is, the investment that has neither Federal lending nor guarantees. Do we want this? I doubt it.

I don't think we should be too much beguiled by the argument that the Federal Government is the most efficient borrower and that there are always economies to be obtained by having the government borrow and lend. If true, there is no logical limit to this short of having the Federal Government borrow all the savings and relend them. I'm not sure that it is true, if you consider the effect of additional Federal borrowing on the cost of all the Federal debt already outstanding. But even if it is true that the Federal Government is an especially efficient borrower it is not an efficient risk-evaluator and rate-setter on its lending.

The proposal for a Bank is based on the finding that "Federally-assisted borrowing is contributing substantially to overall market pressures and higher interest rates." However, there is nothing in the proposal that would reduce these pressures. My opinion is that the Bank would increase these pressures by increasing the amount of Federally-assisted borrowing. The Bank's own borrowing would exceed the present amount of subsidized or guaranteed borrowing.

My conclusions are:

1. We should not set up a new Bank outside the budget.
2. We should recognize that there will be evasions, via guarantees, subsidies and phony private banks.
3. We should resist such evasions.
4. We should expect that the necessity to evade the budgetary principles will serve as a constraint while revising the budget principles will serve as an invitation.

A handwritten signature in cursive script, reading "Herbert Stein".

Herbert Stein

EXECUTIVE

September 12, 1969

PE14
LA2

(3)

752

FOR: John R. Price

FROM: Chris Miller

RE: ^x
First National City Bank Training Program

^x
The Canal Street Training Center, as the attached flier explains, was set up to hire and train disadvantaged individuals as clerks and typists for the Bank.

FUNDING: MANPOWER ACT

In July, 1967, an MA-3 contract of \$1,500,000 was awarded to First National City Bank to cover the "extraordinary expense of training 700 individuals to be clerical personnel." Later, an MA-4 contract was awarded to provide for an additional 360 trainees. The Bank is currently negotiating for an MA-5 contract.

RECRUITMENT

In order to receive Labor Department reimbursement for training costs, trainees must be certified by the State Employment Service as disadvantaged. Consequently, FNCB depends on the SES and some 150 New York City agencies to recruit for the program. No active advertising is done since none seems to be necessary. The only recruitment problem that arises is in the "degree" of "hard-core-ness" that the SES refers and that the Bank can use. The Bank needs a "higher level" of hard-core unemployed and frequently has to turn away some SES referrals that are completely unemployable. The general feeling, though, is that SES has been helpful.

CURRICULUM

Clerical trainees are given a 16 week course, typists a 20 week course. The MA-4 contract revised the training curriculum somewhat by trying to individualize the instruction and to make the training more relevant to

Nothing else sent to
Central Files as of 10/13/69

L.B.

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SEP 2 1969
CENTRAL FILES

EXECUTIVE

712

74221

September 23, 1969

Bloom, Harry
Natl Assn. of Supervisors
of State Banks

TO: THE STAFF SECRETARY
FROM: PETER FLANIGAN
RE: Log 1256

There has been, over a long period of time, serious concern among state-chartered banks and state bank regulators over the increasing advantages held by national banks. It is my understanding that this is a subject which deserves consideration.

However, I further understand that Arthur Burns is forming a task force on bank regulation. The report by this task force is due in two or three months. I would not recommend that an independent group be formed until the task force report has been received. It may be that Arthur Burns would wish to include in his task force one or two members of the NASRB. As an alternative he might wish the NASRB to form a subcommittee of the task force or to submit a paper to the task force. In short, I recommend the NASRB be given an opportunity for input to the task force in any form that Burns thinks most desirable.

Enclosure

Nothing else sent to
Central Files as of 10/11/69
L.B.

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SEP 24 1969
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ACTION MEMORANDUM

WASHINGTON

LOG NO.: 1256

Date: Thurs. September 18, 1969

Time: 6:00 P.M.

FOR ACTION: Dr. McCracken
J. Ehrlichman
A. Burns
✓ P. Flanigan
Sec. Kennedy

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, September 23, 1969 Time: 2:00 P.M.

SUBJECT:

Letter to the President from the National Association of Supervisors of State Banks (NASSB) requesting the appointment of a special commission on bank supervisors to study the question of restructuring bank regulation.

ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

Please submit by return memorandum your comments on the NASSB proposal.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.

For the President



National Association of Supervisors of State Banks

OFFICE OF THE PRESIDENT

325 STATE OFFICE BUILDING • DENVER, COLORADO • 80203

AREA CODE 303 • 892-2121

September 12, 1969

ACTION	
T/D	_____
SCHEDULE BD. _____	
DATE RECEIVED	
SEP 16 1969	
RMN MESSAGE	_____
SPEAKERS BUREAU	_____
OTHER	_____
APPOINTMENT OFFICE	

The Honorable Richard M. Nixon
President
The White House
Washington, D. C.

Dear President Nixon:

The Association that I head represents the banking commissioners and superintendents of the fifty states, Puerto Rico and the Virgin Islands. We are responsible for the soundness, safety, and performance of more than 9,385 state chartered banks with assets of more than 276 billion dollars.

During the past several years, it has become apparent that disagreements among federal bank regulators and the disparity between the powers of state bank supervisors and those of the Comptroller of the Currency have caused a substantial shift of bank assets toward the national banking system. It is not merely for the sake of tradition that we seek to preserve our pluralistic bank regulatory system. We strongly believe that it is in the public interest to assure the continued dispersion of governmental power over our financial institutions.

Numerous recommendations have been advanced to restructure the bank regulatory system in order to reinforce the checks and balances essential to fair and innovative bank supervision. We have found that there is no forum with sufficient stature, resources, and objectivity in which the various proposals can be sifted and rationalized.



National Association of Supervisors of State Banks

OFFICE OF THE PRESIDENT

325 STATE OFFICE BUILDING • DENVER, COLORADO • 80203

AREA CODE 303 • 692-2121

September 12, 1969

Page 2

Honorable Richard M. Nixon
President
The White House

We therefore recommend that you appoint a Special Commission on Bank Supervision to study all aspects of the question of restructuring bank regulation, with the goal of developing a workable plan for reorganizing the federal banking agencies. Other officers of our association and I should appreciate an opportunity to meet with you and discuss the objectives, methods, and financing of such a Presidential Commission.

I shall look forward to learning whether you believe our suggestion has merit.

Very truly yours,

Harry Bloom
President, NASSB

HB:ph

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President and Chairman

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Financial Institutions
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Vice President

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Secretary-Treasurer

ERT P. BRIGGS
Bank Commissioner
Tennessee
Member At Large

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Economist

PH L. MORGAN
Washington, D. C.
Administrative Vice President

ARD H. LEETE
Bedale, New York
Secretary-Treasurer Emeritus

EXECUTIVE

412-8/H*

704-2

712

(2)

September 25, 1969

Dear Claire:

It was very thoughtful of you to let me have your views on means of encouraging private enterprise through funds located overseas. Obviously, as you have indicated, the question is an intricate one and the implementation of a program of direct loans to foreign individuals, whether carried out through the medium of existing financial institutions or in some other manner, would require extremely careful negotiation with the governments of the countries concerned. The idea is very interesting, however, and you may be sure that it will receive careful consideration.

I was delighted to receive both Biography of a Bank and Paul Rink's biography of your father with your generous and very gracious inscriptions. Your father was a great innovator in many ways and a number of his concepts perhaps merit broader application than he himself had originally envisioned.

Pat joins me in sending warm regards.

Sincerely,

RN

*x
Mrs. Claire Hoffman
Suite 823
300 Montgomery Street
San Francisco, California 94104

cc: Mrs. Ferguson 9-26

RN:NMM:lcc

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SEP 27 1969
C-MAIL FILES

FI 2

FG 106

FILE NO. 411 D.C.Banks

No. of entry	No. of pages	Date of entry	Material entered
1	1	9/25/69	Mar 31st memo Raymond Price to JDE re D.C. Banks--Amendment in Law needed to Permit Authorization for Closing In Event of Emergency/Or other Special Occasions
2	1	9/25/69	Apr 1st memo Bud Krogh to Rehnquist re Closure of District Banks in Emergency
3	1	9/25/69	Apr 1st memo Krogh to JDE re Closure of District Banks in Emergency
4	many	9/25/69	Memo for Krogh from Rehnquist re Closure of District Banks in Emergencies

Folder filed in Oversize Attachment

2991

EXECUTIVE

FG999

FI 2

FG6-3

FG12

FG6-11-1/Ehrlichman, J.

FG6-11-1/Burns, Arthur

FG6-11-1/Hanigan, Peter

September 25, 1969

MEMORANDUM FOR:

DR. A. BURNS

In accordance with our discussion, I have attached all the background material concerning the request of the NASS that a special commission be appointed on Bank Supervision.

Would you please send them an interim reply for the President indicating that the Administration has this matter under review. I assume that you will follow up with Mr. Bloom when a decision has been made as to what course of action we will follow.

Thank you for your cooperation. Harry

Special Commission on Bank Supervision
National Association of Supervisors of State Banks

JOHN R. BROWN

with Letter
& other
a Hackman's

EXECUTIVE

FG999

FID

THE WHITE HOUSE

WASHINGTON

September 26, 1969

MEMORANDUM FOR JOHN R. BROWN

Dear Mr. Bloom:

FROM: Arthur F. Burns

I am writing on the President's behalf in reply to your letter of September 12.

This Administration now has under consideration several proposals bearing on the structure of bank regulation. I want to assure you that your proposal for a Presidential Commission will be fully evaluated in the near future. Once a decision is reached or approached, I shall write you again.

With many thanks for your thoughtful letter.

Sincerely yours,

Enclosures

Presidential Commission on Bank Supervision

Arthur F. Burns
Counsellor to the President

Mr. Harry Bloom
President

National Association of Supervisors
of State Banks

325 State Office Building
Denver, Colorado 80203

✓ cc: John R. Brown

RECEIVED

SEP 29 1969

CENTRAL FILES

cy not in files 10-2-69

IV/1969/ST10/Atlanta
9/12-8

September 26, 1969

Dear Mr. Milton:

It was very thoughtful of you and Mr. Smith to let me know of your willingness to discuss with me the Citizens Trust Company's contribution to the growth of minority entrepreneurship in the Atlanta community. Although the heavy official demands on my time make it impossible to accept your generous offer at any time in the foreseeable future, I want you to know how much I appreciate your interest in giving me the benefit of your experience in this vital area. I want also to commend you and the directors of the Citizens Trust Company for the crucial role you have played over the years, and are continuing to play, in stimulating the expanding minority economic base not only in Atlanta but also throughout the state of Georgia.

As you are aware, the promotion of minority business enterprise is a matter of great importance to me and I regard the achievement of this goal as a matter of high priority for this Administration. The active support and dedication of men like yourself and services of the kind Citizens Trust Company can offer are essential to the Federal Government's efforts if we are to succeed, and I urge you and the directors of Citizens Trust Company to continue your highly commendable initiatives to assist Negroes and other minorities to become full participants in the commercial community.

With my best wishes,

Sincerely,

RICHARD NIXON

Mr. L. D. Milton
President
Citizens Trust Company
212 Auburn Avenue
Atlanta, Georgia 30302

Randolph W. Thrower

RECEIVED
SEP 30 1969
CENTRAL FILES

RN:Melencamp:am

September 12, 1969

Dear Mr. Commissioner:

Mr. Chapin has asked me to write to you in further reference to your request that the President meet with two representatives of a Negro-owned and operated bank in Georgia who wish to discuss with him the contributions of their bank in stimulating black capitalism in the inner city.

The President was most appreciative to learn of this thoughtful suggestion that he meet with Mr. Milton and Mr. Smith, and is sincerely sorry that we cannot send a favorable reply. Because of the demands of the official schedule, it will not be possible to arrange an appointment, as much as the President would like to take advantage of this opportunity to discuss entrepreneurship among the minority groups. However, he hopes that you will convey his thanks and best wishes to Mr. Milton and Mr. Smith.

With kind regards,

Sincerely,

Hugh W. Sloan, Jr.
Staff Assistant
to the President

Honorable Randolph W. Thrower
Commissioner of Internal Revenue
Internal Revenue Service
Washington, D. C. 20224

HWS:bf

bcc. Robert Brown with incoming

The original draft on this was
done by Bob Brown and when it
was rewritten was not changed
in substance.

Marje

THE WHITE HOUSE
WASHINGTON

OK
HMS

Hugh Sloan -

If you agree with
this you may want
to send it on to
Rose Mary Woods.



THE WHITE HOUSE

WASHINGTON

Dear Mr. Milton:

Thank you for your offer to discuss with me the contributions of the Citizens Trust Company of Atlanta to the development of minority entrepreneurship in the Atlanta community. I regret I cannot accept your request due to the pressing demands of my official schedule. However, I do wish to commend you and the directors of the Citizens Trust Company for the vital role you have played over the years, and are continuing to play, in stimulating the expanding economic base of Negroes in the State of Georgia and, most particularly, in the Atlanta community.

As you are aware, the promotion of minority entrepreneurship is a matter of great importance to me, and I regard the achievement of this goal as a matter of high priority in this Administration. However, to realize this important goal, our Federal efforts need the support and dedicated involvement of men like yourself, and the kinds of services Citizens Trust Company can offer. I, therefore, urge you and the directors of Citizens Trust Company to continue your commendable efforts to assist Negroes and other minorities to become fully involved in the commercial community.

Sincerely,

Mr. L. D. Milton
President
Citizens Trust Company
212 Auburn Avenue
Atlanta, Georgia 30302



THE WHITE HOUSE

WASHINGTON

Dear Mr. Smith:

Thank you for your offer to discuss with me the contributions of the Citizens Trust Company of Atlanta to the development of minority entrepreneurship in the Atlanta community. I regret I cannot accept your request due to the pressing demands of my official schedule. However, I do wish to commend you and the directors of the Citizens Trust Company for the vital role you have played over the years, and are continuing to play, in stimulating the expanding economic base of Negroes in the State of Georgia and, most particularly, in the Atlanta community.

As you are aware, the promotion of minority entrepreneurship is a matter of great importance to me, and I regard the achievement of this goal as a matter of high priority in this Administration. However, to realize this important goal, our Federal efforts need the support and dedicated involvement of men like yourself, and the kinds of services Citizens Trust Company can offer. I, therefore, urge you and the directors of Citizens Trust Company to continue your commendable efforts to assist Negroes and other minorities to become fully involved in the commercial community.

Sincerely,

Mr. Roland Smith
Director, Executive Committee
Citizens Trust Company
212 Auburn Avenue
Atlanta, Georgia 30302

THE WHITE HOUSE
WASHINGTON

September 12, 1969

TO: Robert Brown

FROM: Hugh Sloan *HS*

Would you please prepare letters of
commendation for Mssrs. Milton and
Smith for the President's signature.

Thank you.

ROUTING SLIP

DATE

9/17

___ ROBERT J. BROWN

___ BRUCE RABB

☒ THADDEUS WARE

___ LYNN GROSSMAN

___ GERRI WHITTINGTON

___ LUCY HARRIS

___ ROSEMARY MANARIN

ACTION:

Take care of this

THE WHITE HOUSE

WASHINGTON

September 9, 1969

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Appointment Request

Two representatives of a Negro-owned and operated bank
in Georgia

Through the state Republican chairman for Georgia, and Mr. Randolph W. Thrower, Commissioner Internal Revenue, you have been requested to meet with two representatives of a Negro-owned and operated bank in Georgia. The two gentlemen in question would like to meet with you for a few minutes to report on the contributions of their bank in stimulating black capitalism in the inner-city over a period of years and on their program for the future.

BACKGROUND

The two persons involved are Mr. L. D. Milton, President of the Citizens' Trust Company, a Negro-owned and operated bank in Atlanta, and Mr. Roland Smith, a director and member of the Executive Committee of the bank. Until last April, Mr. Milton had for 25 years been Chairman of the Board of Trustees of Howard University, Washington, D.C. Both are well regarded in the Atlanta community, both are Republicans.

Their bank has a national reputation in Negro financial circles and has a program of stimulating entrepreneurship among the minority groups. It represents a fine example of capitalism developed by Negroes in the Negro community. (Tab A)

RECOMMENDATIONS

Robert Brown recommends it as a "worthwhile and constructive gesture."
(Tab B)

TD
Have Brown and
letter for
signature

Harry Dent also recommends the meeting if time is available. (Tab C) ✓

Len Garment says "this probably could be handled best by a letter or telegram." (Tab D) ✓

John Ehrlichman says this is "certainly not the best way" for you to support minority business. (Tab E) ✓

SUMMARY RECOMMENDATION

It is recommended that your participation should be in the form of a letter to these two gentlemen and that a draft be prepared for your signature by Randolph Thrower.

ACTION

Approve _____

Disapprove _____

J/C

Dwight L. Chapin

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

September 9, 1969

MEMORANDUM FOR HUGH SLOAN

FROM: Leonard Garment

I definitely think the President should bring attention to the new office building to be opened by the Citizens Trust Company in Atlanta later this year as an important example of what can be accomplished by a minority-owned business.

This probably could be handled best by a letter or telegram. Time pressures being what they are, I would not push for a meeting.

I have already sent a memorandum to this effect to Dwight Chapin.

h

THE WHITE HOUSE
WASHINGTON

September 9, 1969

TO: John Ehrlichman

FROM: Hugh Sloan *HS*

I would appreciate having your
recommendation on the attached.

Thank you.

*Luke warm - Certainly
not the best way
for the TT to be
supporting MBE.*

Σ

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR HUGH SLOAN

I have gotten Garment's recommendation on this one.

I will write it up in a Pres. Memorandum to be signed by Dwight after their return from California.

I have called, today, Commissioner Thrower's office to inform them that we had not forgotten the request and that it was pending until the President returns.


Gregg.

August 21, 1969

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

August 21, 1969

MEMORANDUM FOR DWIGHT CHAPIN

FROM: LEONARD GARMENT

I agree that this would be a useful gesture. It would have considerably more point, however, if it took place later, say, in the latter part of September when it could be tied in with some other efforts to get the Black Capitalism program straightened out.

4

THE WHITE HOUSE
WASHINGTON

8/19
6:00 PM

Please check with
Mr. Garment and
get back to me
right away.

Thank you very
much.

Hugh

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

August 4, 1969

EXECUTIVE

712

H112

PR7-2/m*

PR7-2/5*

C
When
Where

MEMORANDUM FOR THE PRESIDENT

It has been requested that you meet with two representatives of a Negro-owned and operated bank in Georgia. The two gentlemen in question would like to meet with you for a few minutes to report on the contributions of their bank in stimulating black capitalism in the inner city over a long period of years and their program for the future.

BACKGROUND: The two persons involved are Mr. L. D. Milton, President of the Citizens Trust Company, a Negro-owned and operated bank of Atlanta, and Mr. Roland Smith, a director and member of the executive committee of the bank. Until last April, Mr. Milton had for twenty-five years been Chairman of the Board of Trustees of Howard University, Washington, D.C. Both are well regarded in the Atlanta community; both are Republicans. (Tab A)

Their bank has a national reputation in Negro financial circles and has a program of stimulating entrepreneurship among the minority groups. It represents a fine example of capitalism developed by Negroes within the Negro community.

RECOMMENDATION: Robert Brown recommends it as a "worthwhile and constructive gesture." Harry Dent also recommends the meeting if time is available but does not consider it top priority. (Tab C)

APPROVE _____ DISAPPROVE _____

✓

Get Garment
rec.
C

TAB D

DWIGHT L. CHAPIN

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

July 23, 1969

MEMORANDUM FOR HUGH SLOAN

I believe it would be a worthwhile and constructive gesture for the President to meet briefly with Mr. Milton and Mr. Smith.

Clearly, they are solid men with experience and stature in the Negro community. Being from Atlanta, a hub of "black capitalism," they are well qualified to speak on this subject.

The Treasury Department is presently reviewing a joint OMBE-SBA proposal for support of black-owned banks. Support of minority owned financial institutions would appear to be one necessary precursor to the development of minority entrepreneurship.

A handwritten signature in dark ink, appearing to read "Rob", is positioned above the typed name. The signature is fluid and cursive.

Robert J. Brown

THE WHITE HOUSE
WASHINGTON

July 11, 1969

TO:: Bob Brown

FROM Hugh Sloan *HS*

I would appreciate having your comments
and recommendations on the attached.

Thank you.

THE WHITE HOUSE
WASHINGTON

July 11, 1969

TO: Harry Dent

FROM: Hugh Sloan

Hugh

I would appreciate having your thoughts on the attached.

Thank you.

TS: Sloan -

This would be good if time is available. Not top priority

1250

Bob Brown also asked for opinion. Hold this pending receipt of his views

- Check Bob's office

MEL



Commissioner
Internal Revenue Service
Washington, DC 20224

JUL 3 1969

MEMORANDUM TO: Dwight L. Chapin, Special Assistant to the President

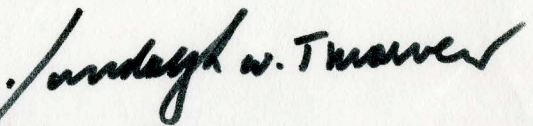
FROM: Randolph W. Thrower
Commissioner of Internal Revenue

This will modify the earlier request forwarded by the Secretary of the Treasury to have the President meet with two representatives of a Negro-owned and operated bank in Georgia to receive an invitation to the dedication of their new office building in Atlanta later this year. Through G. Paul Jones, Jr., the then State Republican Chairman for Georgia, I am now advised that the two gentlemen in question would think it most appropriate for them to be able to meet for a few minutes with the President to report to him the contributions of their bank in stimulating black capitalism in the inner city over a long period of years and their program for the future. This will relate also to their expansion into a new building but will not contemplate an invitation to the President to attend. Paul Jones joins me in expressing the opinion that this would be worthwhile and in encouraging it to be done. It should contribute to the status of leadership of this sort in the Atlanta community and elsewhere.

To review earlier memoranda, the two persons involved are Mr. L. D. Milton, President of the Citizens Trust Company, a Negro-owned and operated bank of Atlanta. Until last April Mr. Milton had for twenty-five years been Chairman of the Board of Trustees of Howard University, Washington, D. C. Roland Smith, a director and member of the executive committee of the bank, is also well regarded in the Atlanta community. Both are Republicans.

To repeat my memorandum of June 10, the bank has a national reputation in Negro financial circles and has a program of stimulating entrepreneurship among the minority groups. It represents a fine example of capitalism developed by Negroes within the Negro community.

Paul Jones has recently retired as State Republican Chairman, but either he or I can assist with contacts with the bank and the two persons who would expect to be present for the proposed meeting.


Randolph W. Thrower

cc: Secretary Kennedy - Attention: Mr. Donald A. Webster
Harry S. Dent, Deputy Counsel to the President

EXECUTIVE
FB6-11-1
PP13-54
FI2

September 30, 1969

Dear Mr. Perry:

John Ehrlichman has asked me to express his appreciation for your letter of September 26th and your kind offer on courtesy cards for the White House Staff.

I am presently compiling a list which I will forward to you in the near future.

Thank you for your consideration.

Sincerely,

Tod R. Hullin
Administrative Assistant to
John D. Ehrlichman

Mr. Hubert C. Perry
Vice President and Manager
Bank of America
Whittier, California

TRH:jlh

RECEIVED
SEP 30 1969
CENTRAL FILES

Sept. 30, 1969
Charles
DRAFT SPEECH FOR DR. WALKER TO DELIVER AT THE
GENERAL SESSION, ABA CONVENTION, HONOLULU,
TUESDAY, SEPTEMBER 30, 11 A.M. HAWAIIAN TIME
3rd Draft

EXECUTIVE

SP/FG!

FG12

FG12

③

I welcome this opportunity to talk with you a few minutes about the Nixon Administration and its relations with banking. At the outset, I would like to make four points as background for my remarks.

First, when President Nixon entered office last January this Nation was confronted with some deep-seated and exceedingly complex problems. They included finding a just and lasting peace in Vietnam; stopping a deeply ingrained inflation which had been allowed to run on far too long; reshaping foreign policy in such manner as to re-establish control of our world-wide commitments; de-fusing the tensions permeating our society; and realigning the imbalance of power and responsibilities between the Federal government and State and local governments.

Second, the President knew that these problems would not be solved by any magic formulas -- that they would not evaporate as a result of a crash legislative program. That is why the President did not inundate Congress with a series of special legislative messages. Instead, he concentrated on establishing sound decision-making procedures in the

PROCESSED

OCT 7 1969

CENTRAL FILES

EXECUTIVE

415-6-1
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418
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5

MEMORANDUM FOR RON ZIEGER

FROM: Bryce N. Harlow
DATE: October 9, 1969

Late yesterday evening, Wednesday, October 8, a Senate-House Conference agreed to legislation to pay banks up to 10 percent interest for government-backed loans to college students. This follows up a recommendation by the President in August which urged prompt action by the Congress so that students could be helped during the fall semester.

cc: Bud Krogh

Bud: This bill may arrive at the White House before the end of the week. Review of it should be speedy and the President should act on it immediately.

Nothing else sent to
Central Files as of 6/22/70
L.B.

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JAN 13 1970
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Am

MEMORANDUM OF INFORMATION FOR THE FILE

DATE 10/28/69

EXECUTIVE

FG17

FG18

FI2

FG23

LETTER, MEMO, ETC.

TO: *Attorney General*

FROM: *Bryce Harlow*

SUBJECT: *Sen. William S. Saxbe*

DC
CORRESPONDENCE FILED CENTRAL FILES - CONFIDENTIAL-FILE

HOUSE FLOOR ACTION, TODAY, NOVEMBER 5, 1969

1. House passed by voice vote the Conference report on the Military Procurement (ABM) FY1970 authorization bill.
2. House passed by voice vote under suspension of the rules H.J. Res. 934, the Administration's food stamp authorization bill, providing \$610 million for food stamps for the current year.
3. Later this afternoon the House will have H.R. 6778, the one-bank holding company bill. Although rewritten in the House Banking and Currency Committee by all committee Republicans and six Democrats, the bill generally conforms to the Administration's request for strict supervision of all bank holding companies.

EXECUTIVE

ME3/UX

FI 2

CAKE, RALPH

NIGHTLETTER-----NOVEMBER 14, 1969

Mr. Tom B. Scott, Jr.
President
* United States Savings and Loan League
X 221 North LaSalle Street
Chicago, Illinois 60601

My very best wishes go to the delegates at the 77th Annual
Convention of the United States Savings and Loan League.

Over the years your member institutions have provided secure
and convenient ways for millions of Americans to invest their
savings and ~~mobilitized~~ *mobilized* over \$100 billion of funds to finance housing
for our citizens. In the decade ahead the nation faces the need
to build an unprecedented number of houses. We count on the
efficiency and innovativeness of the savings and loan industry
to play a major part in meeting this need.

As a result of five years of rapid inflation, your member institu-
tions are now going through a period of difficulty in maintaining
a high level of mortgage lending. The Federal Home Loan Bank
System, under its present dynamic leadership and with the full
support of the Administration, is supplying billions of dollars
of advances to help the Savings and Loan Associations in supplying
these needed mortgage loans. Beyond this, we are attacking the
problem at its fundamental roots. The basic material with which

-----MORE ON NEXT PAGE-----

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NOV 15 1969

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THE WHITE HOUSE
WASHINGTON

November 17, 1969

MEMORANDUM FOR ~~JOHN D. EHRLICHMAN~~ **FLANIGAN**

FROM: Richard T. Burress

SUBJECT: One Bank Holding Company Legislation - H.R. 6778

On November 5, the House passed this legislation. In the process, several restrictive amendments were adopted. For example:

- (1) The effective date of the Act was pushed back to May 9, 1956. As reported from Committee, the effective date was February 17, 1969 and the Administration Bill called for a June 30, 1968 date. If the House passed date should stand, many small one-bank holding companies that had taken advantage of the one-bank holding company exemption for tax reasons would be in serious trouble.
- (2) Adopted the Blackburn amendment which listed in detail the activities that a bank holding company may not engage in. This would mean that the discretion of the Federal Reserve Board to pass on the proposed activities of a one-bank holding company would be severely limited. Also, a number of activities now considered okay - accounting, bookkeeping, and data processing - may be banned outright.

The legislation as passed by the House should be carefully reviewed by the Treasury Department so that corrective measures may be suggested when the Senate Banking Committee starts its hearings.

CC: Ken Cole
Peter Flanigan
Ken Be Lieu

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DEC 30 1969
CENTRAL FILES

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

HIGH PRIORITY

EXECUTIVE

December 2, 1969
Tuesday - 12 noon

412
PR 7-1
4423

MEMORANDUM FOR MR. JOHN EHRLICHMAN

~~TO:~~ FROM: DWIGHT L. CHAPIN *QNT*

RE: Request of Harry and Robert Volk to See the President
on December 5

Volk
Secretary Finch's office has called about the possibility of a Presidential appointment for Harry and Robert Volk, Chairman and President, respectively of the Union American Merchants Bank Holding Company in California, on Friday, December 5. It is my understanding they wish to discuss bank holding company matters.

Since they are long-time, active Republican friends of the President, Secretary Finch felt the President would see them.

I understand that they are scheduled to see you, as well as Director Mayo and Chairman McCracken.

What do you recommend we do about the request to see the President also?

The President should see for handshake _____

Should not see _____

Other Let's see what they have to say -

12/3/69
Told Davis
N York

Tell Davis
we will have to
wait till after
E talks to
Hem KC

THE WHITE HOUSE
WASHINGTON

December 2

Mr. Chapin -

Doris Jones, secretary to Mr. Finch,
called and said he had asked her to
leave this message for you:

Harry and Robert Volk, Chairman and
President, respectively, of the Union
American Merchants Bank Holding
Company in California are coming here
on December 5th on bank holding companies
matters and would like to see the President.

If it could not be arranged on **December**
5, they will stay over.

friends of the Pres. Mary

① bank hld compa-
~~Matters~~

✓ at Na -

re re v Mary

Ehrlich - Mc Crachey
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ing li
ch. Reps
m, (Kiss)

Sey se l
g. P d a
no at th
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bel
1 du

Mr. Chapin --

I should have sent this
note yesterday but did
not do so simply because
I got "bogged down" with
the routine. I am most
apologetic and certainly
hope this will not cause
too much of an inconvenience

New
Put
form
Mary
Ames
for
HCH

EXECUTIVE

FI2
FG12
BE4-3
H42

⑤+

NIGHTLETTER-----DECEMBER 4, 1969

ET.
memo

Mr. Lorimer D. Milton
President
Citizens Trust Company
212 Auburn Avenue
Atlanta, Georgia 30302

Congratulations on the dedication of your new headquarters,
a distinguished addition to the impressive Atlanta skyline. This
new building, made possible by your determination, foresight
and hard work, and that of your colleagues, signals ever-increasing
services for the community you have served with distinction.

My sincerest best wishes to you and to all those affiliated with
your enterprise.

APPROVED ORIGINAL COPY
TO THE TELEGRAPH OFFICE
ON 12/4/69 AT 7 P.M.

JK
RICHARD NIXON

TREASURY:

RN: ~~XXXX~~ JK:sar

CC: Ms. R.M. Woods, M.A. Passman, Margita White, E. Hasek, CF
Paul Costello.

Req'd by: Treasury thru Mr. E Costello.

Event: Dec. 5, 1969 Noon.

Approved by: James Keogh

RECEIVED
DEC 5 1969
GENERAL FILES

PRESIDENTIAL MESSAGE

Date: Dec. 4, 1969

MESSAGE: To Mr. Lorimer D.

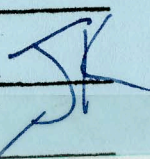
Milton upon Dedication of new bank building.

Due Date: Dec. 5, 1969

Drafted by: Treasury Dept.

Requested by: Treasury Dept.

thru Paul Costello.

Approved by: James Keogh 

THE WHITE HOUSE
WASHINGTON

December 4, 1969

TO: MR. KEOGH

Paul Costello is most anxious to have a wire sent out -- as requested by Treasury. Even though we normally wouldn't send messages for these kinds of events, Mr. Costello pointed out that the President would like to commend promotion of minority businesses whenever possible.

Claudia



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

December 4, 1969

Dec 5
//

MEMO TO: Paul Costello

FROM: Cal Brumley *CB*

SUBJECT: Presidential Telegram to President of Atlanta Bank

Per our telephone conversation attached is a draft telegram we suggest be sent over the Presiden't signature to Lorimer D. Milton, President of the Citizens Trust Co., Atlanta, Georgia, for dedication of its new building at Noon on Friday, December 5.

DEC 4 1969

Director of Communications

HGK_____

PWC_____

HLT_____

MEW_____

VSS_____

SAT_____

DRAFT TELEGRAM

JK

Mr. Lorimer D. Milton
President
Citizens Trust Co.
Atlanta, Georgia

Congratulations on the dedication of your new headquarters, a distinguished addition to the impressive Atlanta skyline.

determination
This new building, made possible by your dedication, foresight and hard work, and that of your colleagues, signals ever-increasing services for the community you have served with distinction.

~~Atlantans, and all Americans, can be proud of the great strides taken by your banking institution since its founding in 1919. Your progress, in addition to pacing the economic advances of your region, has been a catalyst of economic growth for the men and women of your community.~~

your enterprise.
My sincerest best wishes to you and to all those affiliated with the Citizens Trust Company of Atlanta.

Richard ~~N~~ Nixon

5261

~~Re: In~~
~~12/1~~

EXECUTIVE

FI 11-4

FI 2

THE WHITE HOUSE
WASHINGTON

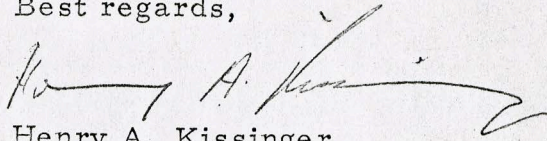
December 15, 1969

Dear Governor Guy:

The President has asked me to thank you for your letter on the use of secret Swiss bank accounts by American citizens. He recognizes the problems involved in enforcing our own laws and has asked that a copy of your letter be sent to the agencies conducting the negotiations with the Swiss.

As you may know, the House Banking and Currency Committee has recently been holding hearings on a bill which would limit abuses by U.S. citizens via these accounts. Several government agencies have testified in support of the objective of the legislation, stating that supplemental legislation may be necessary despite the favorable prospect for reaching a useful arrangement with the Swiss.

Best regards,


Henry A. Kissinger

The Honorable
William L. Guy
Governor of the State of North Dakota
Bismarck.

ET.
EXECUTIVE

FID
FG120
FIS

(2)

December 19, 1969

MEMORANDUM FOR

LEN GARMENT

Attached is Bob Brown's memo to John Ehrlichman regarding several proposals on ghetto banks. John would appreciate it if you would get together with Bob and decide as to whether or not any of these issues ought to be pursued further. By pursuing further, I mean that a decision paper be developed outlining the problem, whatever options are available for the solution of the problem and the steps needed to implement whatever decision is reached.

Before any plan is submitted to either John or the President, it should first have your approval.

KEN COLE

cc: Bob Brown

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APR 16 1970
CENTRAL FILES

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

December 12, 1969

MEMORANDUM FOR JOHN EHRLICHMAN ✓
LEONARD GARMENT

FROM: ROBERT J. BROWN 

In view of the President's expressed interest in ghetto banks, I would like to know what your opinion is on the following proposals:

1. To help banks, a majority of whose customers live in the ghetto, increase their deposits so that they can better serve these people the FDIC should increase its insurance coverage limit from \$15,000.00 to \$50,000.00 for demand and time deposits in these slum-area banks. With this increase in insurance coverage the Treasurer of national corporations would feel more comfortable with large deposits in these ghetto banks.
2. Most ghetto banks are undercapitalized and are finding it difficult to raise additional capital. The FDIC insurance coverage could be expanded to include debentures issued by ghetto-area banks. This limited debenture guarantee would also reduce the cost of capital and give these banks the edge they need for lending in the high risk slum economy.
3. Since member banks of the Federal Reserve System must maintain a percentage of their deposit in reserve the government could state that balances maintained in ghetto banks would be counted as a part of the bank's legal reserve. This along with the FDIC guarantee should persuade large metropolitan banks to establish health correspondent relations with ghetto banks.
4. As a matter of policy, funds deposited in the Federal Tax and Loan Accounts should remain on deposit with the slum-area banks longer than with other banks.

EXECUTIVE

FIS

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(2)

THE WHITE HOUSE

WASHINGTON

December 22, 1969

MEMORANDUM FOR BRYCE HARLOW

FROM: PETER FLANIGAN *PMF*

Regarding S 2577, Maury Mann read me the language regarding the proposed \$4 billion of Treasury loans to Federal Home Loan Banks. Based on the Conference report, it appears any such loans ~~are~~ entirely subject to the judgment of the Secretary of the Treasury.

Therefore, based on our inability to guarantee passage of acceptable legislation, we will recommend that the President sign S 2577.

EXECUTIVE (4)
446-11-1/Hofgren
Dole
MC
412
CO 111

THE WHITE HOUSE
WASHINGTON

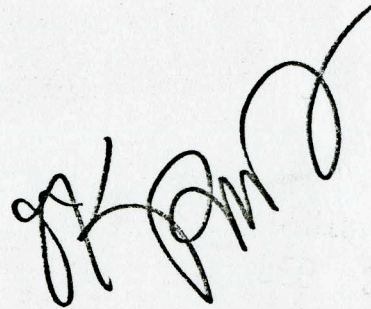
December 22, 1969

FOR Peter Flanigan
FROM Dan Hofgren *DH*
RE: ^X
VIII Inter-American Savings and
Loan Conference, Nicaragua

This conference is one that I have attended on two separate occasions. It is a prime example of what the U. S. government is doing to develop capital markets in Latin American countries. In line with this project, which I have been working on for the past 6 months, I feel it is important for me to attend. They are paying the transportation costs, and this would require only a day and a half of my time.

Would appreciate your approval for me to attend and give the address from the President.

Attachment



BB/

EXECUTIVE (3)
F18
F12
LE

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

December 23, 1969

Memorandum For: The President

The bill which you signed late tonight (in the barber shop) had been coordinated with Budget, Treasury and John Ehrlichman's staff ... including John. It extended the Federal Government's authority to regulate interest rates on bank deposits.


Alex

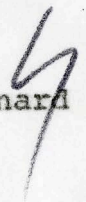
December 29, 1969

Dear Mr. Givens:

Thanks for your note of December 23 and the paper
on a ^xNational Rebuilding and Development Bank.

I am glad you sent it to Sherman ^xUnger, and I
shall also share it here with a colleague whose
concern is directly with housing policy.

Sincerely,


Leonard Garment

Mr. Richard A. ^xGivens
Room 434
U.S. Courthouse
Foley Square
New York, New York 10007

bc: w/incoming Henry Cashen

RECEIVED
MAY 26 1971
CENTRAL FILES

Room 434
U.S. Courthouse
Foley Square
New York, N.Y. 10007
December 23, 1969

The Honorable Leonard Garment
Executive Office Building
Washington, D.C.

Dear Mr. Garment:

You may possibly find the enclosed
of interest. At the suggestion of Martin Pollner,
I have sent a copy to Sherman Unger, Esq., General
Counsel of the Department of Housing & Urban
Development.

I greatly enjoyed the opportunity to meet you
early last month.

Sincerely,

Richard Givens

Richard A. Givens

Encl.

5/25/71

TO: CENTRAL FILES
FROM: HENRY C. CASHEN II

PROPOSAL FOR A NATIONAL REBUILDING
AND DEVELOPMENT BANK

I N D E X

	<u>PAGE</u>
SUMMARY	
I. THE STRATEGIC CHARACTER OF THE HOUSING CRISIS	1
II. FINDINGS OF HOUSING STUDIES	2
1. Existing urban renewal and other construction provide housing too expensive for former residents of rebuilt neighborhoods to live there	2
2. Existing public housing with income limits on continued occupancy insures segregation of the poor, and in most cases minorities	3
3. Unemployment and job insecurity are a major drag on the building industry	3
4. New methods and industrialized building could reduce costs and speed rebuilding	4
5. Work rules established to try to limit job insecurity tend to raise building costs and block new methods	5
6. Building codes, zoning rules and other local ordinances tend to block mass production of housing	5
7. Practices established to protect jobs also discourage entrance into the industry by minorities	6
8. Short-range commitments raise housing costs and delay results	8
9. Local property tax systems imposing heavy burdens on improvements rather than on land itself discourage new building	8
III. ADVANTAGES OF LONG-TERM COMMITMENTS	10
IV. MECHANICS OF LONG-TERM FUNDING	21
CONCLUSION	23
APPENDIX - (Draft legislation to create a development bank)	

SUMMARY

Creation of a national rebuilding and development bank to finance long-term comments for rebuilding in cities, suburbs and rural areas for the benefit of all can work to the advantage of every group in society by:

1. Permitting large-scale building so as to reduce job insecurity;
2. Enabling more modern technologies to be used to reduce building costs;
3. Enabling new employees to be brought in without displacing existing workers;
4. Providing a basis for a sliding scale of rents or purchase price payments in publicly aided housing to replace fixed income ceilings which promote low morale, high turnover, ghettoization and blight;
5. Ultimately replacing public housing as we know it;
6. Permitting planned redevelopment of entire communities with maximum community participation and keeping the best of existing structures;
7. Taking the first step toward reducing racial polarization, making the central cities more attractive and permitting suburbs to remain suburban, and

8. Initiating a positive focus for all groups to work together as part of an effort to work toward a common goal beneficial to all.

To achieve these goals, a rebuilding program dealing directly with housing and associated employment would have to be combined, of course, with other measures such as efforts to secure both fair and effective law enforcement and many other steps.

I. THE STRATEGIC CHARACTER OF THE HOUSING CRISIS

Rebuilding of our cities and adequate housing in our suburbs and rural areas are vital to provide a better environment for all of our people. In addition, they have other strategic roles.

- (1) Housing means jobs, both for those now in the industry and those seeking jobs.
- (2) Inadequate housing is a physical reminder to our minorities of society's failure to meet their needs. Since it has been proven that the United States can send men to the moon, few will accept the notion that we cannot eradicate slums.
- (3) Segregated education results in large part from segregated housing patterns. These in turn can only be effectively attacked if decent housing is available for all at means within their reach.

- (4) Blight anywhere is bound to spread. Consequently, unless it is dealt with wherever it exists, the cities, suburbs and rural areas will ultimately all fall victim to the spiral of decay, fear, and hostility. All, minorities and majority, will suffer.
- (5) Steps to rebuild can be a physically visible symptom of our determination to work together in new directions for the benefit of all.

Equal opportunity for all can only be achieved in an environment of liveable conditions and expanding opportunity. For these reasons, the effort to provide decent neighborhoods for all citizens must have the highest priority.

II. FINDINGS OF HOUSING STUDIES

Studies of today's housing dilemma seem in agreement concerning major reasons for our failure to break the building bottleneck:

1. Existing urban renewal and other construction provides housing too expensive for former residents of rebuilt neighborhoods to live there.

...The primary objection to urban renewal by neighborhood residents is that they cannot find alternative housing because they can't pay for more expensive housing than that in which they now live. In a study...we found that 70 percent of the families displaced by urban renewal and

code enforcement ended up paying significantly higher rents. 1/

2. Existing public housing with income limits on continued occupancy insures segregation of the poor, and in most cases our minorities.

As pointed out by the Committee on Legislation of the Federal Bar Council, such ceilings are one of the many "unfortunate features of old-style public housing. Residents' incentive to improve their earning power is stifled by such a ceiling. It promotes high turnover, low morale and high crime rates." 2/

3. Unemployment and job insecurity are a major drag on the building industry.

1/ Hearing before the National Commission on Urban Problems 355 (Gov't Printing Office 1968); see also Weaver, The Urban Complex, ch. II, III, VI (Anchor ed. 1966).

2/ National Housing Goals, Hearings before the Subcommittee on Housing, Committee on Banking and Currency, House of Representatives, 91st Cong., 1st Sess. 596 (1969); see also Community Service Society of New York, Report of the Committee on Housing and Urban Development (1968); New York State Bar Association, Bulletin of the Committee on Federal Legislation 18 (January 1969), 115 Congressional Record No. 33, S2015, S2018 (daily ed. 2/25/69).

From the worker's perspective, unemployment rates in this industry have been twice as high as in other industries. Problems of seasonal employment are intense...

On an annual basis, unemployment in construction has almost doubled other fields. 3/

Employees face:

Wide fluctuations in productivity, year to year, season to season; high rate of unemployment; fairly high hourly wages, relatively lower annual incomes; highly competitive employers; highly competitive craft unions; jumping from employer to employer and from place to place; weather a constant source of uncertainty... 4/

4. New methods and industrialized building could reduce costs and speed rebuilding.

The conclusions from an investigation of the cost of housing built in the United States by conventional methods and a comparison of the major cost factors in the United States with European industrialized system building... indicates potential savings ranging between 23 and 27 percent if building systems were utilized in the United States. 5/

Mass production need not, however, mean monotony. An "alphabet" of building materials could be created to construct many types of

3/ Building the American City: Report of the National Commission on Urban Problems (Gov't. Printing Office 1968), H. Doc. No. 91-34, 91st Cong., 1st Sess., (1968), hereinafter referred to as Douglas Commission, p. 472. See also Givens, Job Security in the Building Industry -- and High Quality Low-Rent Housing, CCH Labor Law Journal, August 1967, p. 469, n.2.

4/ Douglas Commission 472.

5/ Douglas Commission 448. See also Schlefer, Industrialization of Housing: Today's Potential (Library of Congress, Legislative Reference Service 1967); New York State Bar Association, Bulletin of the Committee on Federal Legislation 18 (January 1969), 115 Cong. Rec. No. 33, S2015, S2018 (daily ed. 2/25/69).

buildings from basic units, just as there are myriad options on automobiles.

5. Work rules established to try to limit job insecurity tend to raise building costs and block new methods.

Thus in a situation which reached the Supreme Court a rule provided:

No member...will handle material coming from a mill where cutting out and fitting has been done. 6/

According to the National Commission on Urban Problems:

The work rules practiced at the local level and incorporated in agreements between management and labor that impede the use of technological innovations appear to fall chiefly into the following categories:

Onsite rules, requiring certain work to be done on the premises and prohibiting or limiting the use of prefabricated products;

restrictions against the use of certain tools and devices;

requirements for excessive manpower on the job, including what appear to be irrational limits on the variety of work certain categories of workers may perform. 7/

6. Building codes, zoning rules and other local ordinances tend to block mass production of housing.

Costs...can be cut if large-scale or industrialized production is combined with the most progressive existing products or techniques. To do this, we must...remove the barriers to large-scale distribution brought on by restrictive building codes and practices, subdivision regulations, and zoning ordinances. 8/

6/ NLRB v. National Woodwork Manufacturers Association, 386 U.S. 612 (1967).

7/ Douglas Commission 467.

8/ Douglas Commission 16.

...problems of building codes and other necessary product approvals plague both the home manufacturers and the makers of preassembled components. In far too many jurisdictions, various preassemblies are rejected outright. In others, inspection methods effectively exclude them. If electrical connections are installed inside preassembled panels, for example, they are subject to the possible demand of building inspectors, who often represent either local craft or building interests, that they be taken out and locally installed... 9/

...Based on our survey, only about 15 percent of all the municipalities and townships above 5,000 in population in the United States had in effect a national model building code which was reasonably up to date.

Of the governments which had a building code, 66 percent of them prohibited the use of plastic pipe in drainage systems, 44.5 percent of them prohibited preassembled plumbing packages...

Large-scale construction of housing can be developed adequately only when we get uniformity of codes...and when excessive restrictions are swept away... 10/

7. Practices established to protect jobs also discourage entrance into the industry by minorities.

When people deplore race discrimination by organized labor, it is usually the building trades unions they have in mind. The historical pattern of discrimination is, of course, far broader than that, and a number of other unions, reflecting the bias of the larger society, have scarcely been less restrictive than the building trades. Nevertheless, though the building trades have in recent years made tangible progress toward integration, they remain a symbol of labor's failure to live up to its ideals of justice and brotherhood.

9/ Id., 437.

10/ Id., 22.

In fairness it must be said that there are extenuating circumstances, notably the nature of employment in the construction industry. Unlike auto workers or butchers or postal clerks, many building craftsmen have no permanent employer. They are engaged through a union hiring hall for a specific job, and when that job is finished, they must wait until another contractor is able and willing to hire them.

Furthermore, their employment is not only casual; it is also seasonal. Despite the progress the industry has made in countering adverse weather conditions, construction jobs are more plentiful in summer than in winter, and even in the favorable months they may be interrupted, sometimes for days, by inclement weather.

Finally, the building industry is more sensitive than most to general economic conditions. It is a typically boom-bust industry.

All these elements help to explain three policies characteristic of building trades unions.

One is the practice of insisting on high hourly wage rates, the only means by which mechanics can assure themselves of a good annual wage. Another is the tendency to resist technological changes that reduce employment opportunities, at least in the short run. A third -- and this especially concerns us here -- is the pattern of restricting entry into the industry by rigid controls of apprenticeship programs. (Associated with that pattern is the practice of favoring relatives of members over others in selecting apprentices.)

Is there some way, one naturally wonders, of so modifying the character of the industry that unions would find it easier to adopt more reasonable wage and membership policies, and to accept technological change?

The Committee on Federal Legislation of the New York County Lawyers' Association thinks there is. In the Senate Report on the Housing and Urban Development Act of 1968, it finds

a promising recognition of the need for a long-range program if the goal of "a decent home and a suitable living environment for every American family" is to be reached. But, it insists, not any kind of long-range program will do. To be effective it must be based on "firm commitments and long-term financing." It should be one, that is, that enables builders to enter into contracts extending over many years, with every assurance that the money will always be there.

Such a program, the committee argues, if undertaken on a big enough scale, could destroy the fear of unemployment in the industry. Once that is accomplished, unions would find it very hard to rationalize not only inflated hourly wages and opposition to technological change, but also restrictions on membership. In return for job security, which contractors would now be able to offer their union employees, they could reasonably be expected to follow practices that prevail in industry generally. 11/

8. Short-range commitments raise housing costs and delay results.

...Any kind of construction requires, after its authorization, a considerable time before labor can be employed in which to make engineering, architectural and legal preparations. 12/

Housing takes time to build. It requires continuity of action and money. It has suffered too many times in the past from both (1) the lack of sufficient funds to make commitments into the future large enough to meet the goals which Congress and the President have approved, and (2) wide variations in the amount of funds provided from one year into the next. 13/

9. Local property tax systems imposing heavy burdens on improvements rather than on land itself discourage new building.

11/ America magazine, 8/17/68, p. 93 (editorial).

12/ Herbert Hoover, State of the Union Message, 1930.

13/ Douglas Commission 183.

Our studies have shown that in relation to market value, land tends to be assessed at a lower percentage than are buildings and improvements. Housing therefore bears a larger proportionate share of the local tax burden than does land. To assess both at market value would therefore not only be more just, but by diminishing the relative burden borne by improvements, should lead to a greater investment in them and would encourage more construction in housing...14/

...it must be obvious to anyone that heavy taxes on improvements are bound to discourage, inhibit and often prevent improvements...and it must be obvious...that... taxes on the location cannot discourage...improvements [but] put pressure on the owners to put their sites to better use...15/

* * *

On the basis of these facts, recommendations have been made for new steps in an effort to find ways to benefit all groups involved in the problem through liberating the potential of modern technology. The basic tool for this purpose suggested in several recent reports has been long-term commitments in housing programs. As Daniel P. Moynihan has stated, "Somehow a greater regularity of effective demand must be provided the housing industry, and its level of production must be increased."16/ However, no one has suggested that such commitments

14/ Douglas Commission 18. See also Impact of the Property Tax: Its Economic Implications for Urban Problems (Committee Print, Joint Economic Committee 1968); Netzer, Economics of the Property Tax (Brookings Institution 1966); Prentice, Method of Taxing Unused Land is Scandalous, Commercial & Financial Chronicle, 8/22/66; Symposium, What Kind of City do we Want, Nation's Cities 25 (April 1967).

15/ Symposium, Financing our Urban Needs, Nation's Cities 36 (March 1969).

16/ Moynihan, Toward A National Urban Policy, The Public Interest, No. 17, p. 14 (Fall 1969).

alone would even begin to deal with the housing crisis. Accordingly, those recommending use of this device have gone on to consider the critical question of the purposes for which this powerful engine would be used.

III. ADVANTAGES OF LONG-TERM COMMITMENTS

Long-term commitments as a means of dealing with the housing dilemma have been recommended by the National Commission on Urban Problems,^{17/} the Committee on Legislation of the Federal Bar Council,^{18/} and the Committee on Federal Legislation of the New York County Lawyers Association.^{19/} The Federal Bar report states in part:

The Housing and Urban Development Act of 1968 calls for a 10-year program for rebuilding the nation's cities.^{20/} This approach was adopted because:

"The goal of a decent home and suitable environment for every American family can best be achieved through a

^{17/} Douglas Commission 183.

^{18/} National Housing Goals, Hearings before the Subcommittee on Housing, Committee on Banking & Currency, House of Representatives, 91st Cong., 1st Sess., 595 (1969).

^{19/} See New York State Bar Association, Bulletin of the Committee on Federal Legislation 16 (Jan. 1969), 115 Cong. Rec., No. 33, S2015, S2018 (daily ed. 2/25/69).

^{20/} Public Law 90-448, Title XVI (1968). (Footnotes in the Bar Report have been renumbered and some additional references added.)

definite plan . . . for the effective utilization of available resources and capabilities . . . in both the public and private sector . . . over a . . . period of 10 years." 21/

In commenting on this legislation the Committee on Federal Legislation of the New York County Lawyers Association stated in a unanimous report:

"In order for such a plan to be effective it must be based on firm commitments and long-term planning. A plan which cannot be counted on by those engaged in carrying it out would be ineffective.

"Long-range commitments under federal programs are not new. Under the federal highway program, contracts running many years into the future must be entered into in order that large scale highway construction can proceed in an effective and economical manner. United States Code, Title 23, Section 118(b) provides for such contracts running far beyond one year. Under the Demonstration Cities and Metropolitan Development Act of 1966, funds appropriated are to remain available until expended. 22/

"In the case of housing today, as President Eisenhower said at the outset of our present federal highway program in 1954: 'Large-scale improvement is needed simply to remedy deficiencies not met in the past.' 23/

"Effective rebuilding in the central cities will benefit every group in our society. Residents of the central city will obviously suffer until it is achieved.

"If the central cities are not rebuilt, the suburbs will lose their suburban character. Increasing numbers will move to the suburbs merely to escape intolerable conditions in the inner cities unless the central cities are made attractive for those who wish to live there. Blight, like rot on an apple in a barrel, is bound to spread

21/ S. Rep. No. 1123, 90th Cong., 2d Sess. 119 (1968).

22/ 80 Stat. 1259-60, 1264 (1966).

23/ 1954 Public Papers of the Presidents par. 102, p. 460.

"In the absence of long-range funding, there is little job security in the building trades. Each construction project is separate and there is no assurance of continued employment when it is completed.

"Unemployment is often high and jobs sporadic. Employees in the building industry therefore use every means that they can to protect their jobs. As a result, it is more difficult than it otherwise would have to be for newcomers to enter the industry.

"Likewise, employees concerned for their jobs are obviously going to be reluctant to accept new technologies which might reduce work necessary for construction of building. This is reflected in union rules. It is also reflected in the great variety of local building codes.

"If long-range commitments were made for rebuilding entire parts of cities on a comprehensive basis, the following advantages could be achieved:

"1. On the basis of long-term contracts given to contractors, they could be enabled or required to hire employees on a longer term basis.

"If this were done and the program were sufficiently extensive to assure jobs for the labor force in the industry, the reasons for resistance to technological advance and to the bringing in of newcomers to the industry would be largely obviated. As part of such a program, Congress or the agency administering the program could require or expect that restrictions on building methods or on what work particular employees are permitted to -- primarily designed to protect jobs -- would be waived in return for the job benefits which the employees would receive. 24/

24/ Concerning measures to see to it that employees benefit and do not lose where new methods are introduced, compare Franklin D. Roosevelt, State of the Union Message, January 3, 1938: "For economic and social reasons our ... interest ... lies ... in regularizing the work of the individual worker more greatly throughout the year -- in other words, in thinking more in terms of the worker's pay for a period of a whole year rather than in terms of his remuneration by the hour or by the day." 3 State of the Union Messages of the Presidents 2840-2841 (Chelsea House 1966). See Raskin, "Pay By the Hour, the Week, The Year, For Life?," N.Y. Times Magazine, September 4, 1966, p. 6; Jones, "Guaranteed Pay

(Footnote continued on next page.)

"2. Transportation, education, shopping, entertainment and other facilities could be built into the housing as constructed, generating exciting diversity and replacing the drab and repetitious achitecture of many existing projects. 25/

"3. Based on continuation of present methods and the present way of doing things, prospects for advances in effective building technology are not bright. 26/ But if institutional barriers were overcome, the opposite would be the case.

"The reduction in cost achieved through long-range planning and use of the most efficient technologies would permit lower rentals or purchase price payments for lower-income persons, with less and perhaps in some cases no direct subsidy.

24/ (Footnote continued from previous page).

Pay Proposed by United States," N.Y. Times, June 27, 1966, p. 35, col. 1; Fanning, "The Challenge of Automation in the Light of the Natural Law," 11 Labor L.J. 875 (Oct. 1960); Homers, "Protection of Employees Affected by Railroad Consolidations." 15 Labor L.J. 736 (Nov. 1964); Gomberg, "The Work Rules and Work Practices Problem," 12 Labor L.J. 643 (July 1961).

25/ "The convenience and attractiveness of a public housing area can be enhanced by the use of concessions for provision of essential services such as a drugstore, grocery store, shoe repair, laundry, and so on. Concessions can also be a significant element in the financial management of the project. Properly designed and devoid of excessive commercialism, such uses can enhance the neighborhood and the community." Douglas Commission, 189. Many ways to provide a better environment with greater diversity as well as ways to reduce cost can be considered. See Symposium, "What Kind of City Do We Want?." Nation's Cities 24-26, April 1967; Hechinger, "Rescue Operation for the Urban School," N.Y. Times, July 16, 1967, p. E7; Symposium on Children in High Houses and Crowded Streets and the Need for Early Planning, in "Children in a Rapidly Changing World," World Organization for Early Childhood Education, Xth Assembly 26-37 (1964).

26/ See Schlefer, Industrialization of Housing: Today's Potential (Library of Congress, Legislative Reference Service 1967); compare NLRB v. National Woodwork Mfrs. Ass'n., 386 U.S. 612 (1967) (union rule prohibiting use of prefabricated doors).

"Assistance for low-income residents could be provided by means of a sliding scale of payments for residents based on income of the resident and the quality of the accommodations.

"This would eliminate unfortunate features of old-style public housing where there has been a fixed income ceiling. Resident's incentive to improve their earning power is stifled by such a ceiling. It promotes a high turnover, low morale and high crime rates. As part of such a program, persons in ghetto areas should be enabled to own their own homes where this would not otherwise be possible." 27/

The views of the County Lawyers group were based in part on those of a group of civic leaders in the greater New York area known as the Community-Wide Panel which was formed to seek to bring together previously opposed views. 28/ The Panel unanimously urged long-range commitments for rebuilding as a means of promoting job security,

27/ Bulletin of the Committee on Federal Legislation, New York State Bar Association 16-19 (January 1969), 115 Cong. Rec. No. 33, p. S2015, S2018 (daily ed. 2/25/69).

See also "Urban Highways," Hearings before the Subcommittee on Roads, Committee on Public Works, United States Senate, 90th Cong., 2d Sess. (1968), Part 2, p. 208-220, 374-379 (May 1, 6, 1968) (testimony of Hon. Charles B. Rangel and Vincent L. Broderick).

28/ See Savelson, "Panel Urges Reforms to Halt Slums," N.Y. World Journal Tribune, February 2, 1967, first page of second section. Among the supporters of the Panel's proposals were citizens from widely differing segments of the community, including Monsignor Harry J. Byrne of the Archdiocese of New York; Rev. Lawrence E. Beebe of the Unitarian Church of All Souls; then City Councilman Edward I. Koch; Vicent L. Broderick; author Ralph Ellison; Harold Baer, Jr., former Executive Director of New York City's Civilian Complaint Review Board; Joseph Overton, President of the Negro Labor Committee; former Assistant U.S. Attorney Moses L. Kove; Assemblyman Charles B. Rangel of Manhattan.

opening up use of the most modern technologies, and developing new job opportunities in the urban core. The Panel's statement received the support of important segments of the building and construction industry and construction unions.^{29/} The views of the County Lawyers Committee were also commented upon favorably in the editorial in America quoted earlier.

The Committee on Housing and Urban Development of the Community Service Society of New York has also endorsed the concept of working toward a sliding scale of payments by residents of publicly aided housing in lieu of fixed income ceilings. The Society urged abolition of income limits for those living in such housing and urged instead that those whose incomes go up be asked to pay an additional amount to help build more housing or reduce costs for less-well-off residents.

Under federally-sponsored projects on federally-acquired land, local building codes, zoning ordinances and the like could legally be preempted.^{30/} As well as the Federal Bar report, the 1968 Report of the President's Committee on Urban Housing recommends that this be done:

^{29/} Endorsement was received from Peter J. Brennan, President of the Building and Construction Trades Council of New York, and from the Board of Governors of the Building Trades Employers Association of New York City.

^{30/} See Mayo v. United States, 319 U.S. 441 (1943); Johnson v. Maryland, 254 U.S. 51 (1920).

- "1. Building Codes - HUD should be authorized to preempt State and local codes if the Secretary, after review of the plans and appropriate inspection, determines that the structures to be built on Government-acquired land... meet reasonable standards of safety and durability.
- "2. Zoning - Structures built on Government-acquired land would be exempt from local zoning and other land-use regulations providing the Secretary found the proposed use is non-discriminatory.
- "3. Governor's Veto - The Secretary's preemption of local building codes and zoning ordinances could be made subject to veto by the Governor of the State in which the municipality is located." 31/

The same veto could be given to mayors or other local chief executives. Their incentive for not exercising it would be the opportunity for funds under the long-term program to be spent in their area. Indeed a local veto on any entrance of the long-term federal program into an area could readily be granted -- if one locality did not want the program, funds could be diverted to another which did.

While the Federal Government would acquire the sites, it should not operate the developments. According to the President's Committee on Urban Housing:

31/ A Decent Home, Report of the President's Committee on Urban Housing (hereinafter Kaiser Report) 30 (Government Printing Office 1968).

"To provide suitable sites for subsidized housing, it is recommended that HUD be authorized to acquire land directly by purchase or condemnation. The land would then be leased to private or public developers who would be required to build housing and related community facilities for low and moderate income families. Because of the great financial resources of the Federal Government and its ability to use the power of condemnation, this program could be an effective vehicle for aggregating large parcels of land which otherwise could not be assembled." 31a/

Such a program would call upon private contractors to do the work and could also permit private developers to operate the building on condition that each do so in a manner consistent with the goals of the program.

Conditions in the case of construction contractors might involve (a) long-term hiring of employees, made possible by long-term funding of the program itself; (b) payment of employees on a basis yielding more per year than they now receive, perhaps in lieu of hourly rates; 31b/ (c) obtaining waiver by unions involved of technological

31a/ Kaiser Report 146. See also U.S. Land Prices-Directions and Dynamics 26 (Research Report No. 13 prepared for the National Commission on Urban Problems [Douglas Commission], 1968).

31b/ Executives are employed for an annual salary, often under a contract which guarantees them payment over a period of more than one year. If a building industry employee were offered a contract guaranteeing him payment of wages over a three-year period at an annual rate greater than the take-home pay he previously received during a similar period, he would gain financially and also obtain far greater job security than before. Such a transition to annual rather than hourly payment would also benefit the public through lower building costs, since the public now pays higher hourly wages

(Footnote continued on next page.)

and jurisdictional restrictions in the light of the long-term employment offered; (d) hiring of new employees, including minorities; (e) use of the most modern technologies and methods, and (f) compliance with national building standards.

Under such an approach, no union would be compelled to abandon any restrictions. It would be offered an incentive to do so in order to participate in an expanded construction program affording greater job security to its members. Conditions in the case of operators might include provisions such as:

- (a) Absence of discrimination on account of race, creed, color or national origin;
- (b) A sliding scale of rents or condominium purchase price payments related to income as well as to the type of accommodations so that the rebuilt housing would be available to all, with the reduction in payments to be reflected in a reduction of payments by the operator to the program;
- (c) giving first priority for occupancy to residents of the rebuilt area;
- (d) allocating second priority to low-income residents if they apply, as to a percentage of units in each building;

31b/ (Footnote continued from previous page).

than in other industries partly to compensate the employee for periods when he will not be working. This might still not be enough, however, to assure continued job security for employees if the total amount of construction to be done were not guaranteed to be such as to employ the full work force. A situation in which some workers had three-year contracts at lucrative salaries while others were out of jobs would hardly be attractive. Further, there would need to be assurance that the high level of employment would be maintained into the future.

- (e) allocating space to concessions for stores and other amenities; and
- (f) proper maintenance of the building.

Such private operation potentially could ultimately replace much "public housing" for the future . Private operators could either buy the properties on an installment basis, obtain their own financing to purchase the properties, or lease them.

In the latter case, the power of the Federal government over taxation of property it owns (including what it leases to private developers under long-term leasing) could be used to permit insistence on local real estate taxation of rebuilt areas chiefly on the basis of location value, not on the basis of the improvements made under the federal program. Here again, local authorities could be given veto power, since they would exercise it at the cost of having funds under the federal program spent elsewhere.

Attention might also be given to land purchase costs. Where small areas are condemned one after another, the courts have awarded the owner of property B the gain in value of his land caused by improvements made with public funds on site A condemned earlier. This means that public funds are being expended for unearned income created by prior expenditures of prior public funds. This result is avoided if a large area is taken at the same time or as part of a large-scale overall plan. ^{32/}

^{32/} United States v. Miller, 317 U.S. 369 (1943).

If significant rebuilding is to take place within the central cities, as well as outside -- and both are necessary, , a considerable portion of new buildings in the central cities with their high land costs will probably have to be high-rise, at least if these costs are to be kept within limits. In itself this should not be viewed as inherently either good or bad. If we are willing to invest in the effort to make high-rise housing in the central cities attractive, it can be done. We can, for example, experiment with play areas within the buildings, as has been done in Sweden; roofs can be connected by bridges and used for protected gardens; shopping facilities can be included within building complexes; construction can be vaulted above automobile streets to create traffic-free upper promenades for children to play on without fear of traffic. The use of three-dimensional space, both above and below ground, can be an asset rather than a liability if we have the courage to use it creatively. The added space can also provide a resource for dealing with relocation problems.

However, the program cannot be confined to the cities -- it must embrace suburbs and countryside as well, both to avoid freezing segregated patterns and to provide job security and decent neighborhoods in blighted suburban and rural areas which exist all too frequently.

The wider ramifications of the blockage of new decent housing at low rents are plain. Former residents of rebuilt areas, often confined within a ghetto by discriminatory realty markets must take the best

housing offered. As soon as an area becomes integrated and open to minority occupancy, the pressure of desperate need for decent housing tends to bring about its resegregation as part of the ghetto -- because of the shortage of new housing at rents within the residents' reach among other reasons. Fear of incorporation into the ghetto causes residents outside the ghetto to strengthen their resistance to integration. This confines the market available to residents in the ghetto and increases the pressure upon them to move into any opening in previously unavailable housing which may become available.

Thus the vicious circle continues and expands. Fear and bitterness by outside residents who do not want to be incorporated into ghettos communicates itself. A climate of despair, frustration and anger is developed in what become opposing parts of a city. Crime, violence and riots born in part of frustration based upon attitudes on both sides and upon bitterness over conditions including housing intensify this unhealthy atmosphere.

The need for action is undisputed. The precise mechanics for dealing with the problem effectively and in time are the critical question.

IV. MECHANICS OF LONG-TERM FUNDING

The National Commission on Urban Problems ^{33/} recommended long-

^{33/} See Note 17 supra.

term rebuilding. Such an approach is certainly constitutional,^{34/} and has many precedents, including the provision of the Demonstration Cities and Metropolitan Development Act of 1966 permitting funds^{35/} appropriated to remain available until expended.

However, an alternate approach is suggested by bills introduced in Congress to create an Urban Development Bank.^{36/} The purpose of the bills was to provide a source of funds for local governments seeking to borrow to build community facilities.

Such a bank, however, could also make loans for rebuilding on a long-term basis. If rebuilding with modern methods reduced costs, no net subsidy from the taxpayers might be needed and no appropriations required. If the bank were repaid in full on its housing advances it might actually make money for the Government. The bank would obtain funds by exchanging its obligations for obligations of the United

^{34/} The only limitation on length of appropriations is for armies and that is two years. Constitution of the United States, Article I, § 8, clause 12.

^{35/} 80 Stat. 1259-60, 1264 (1966).

^{36/} S. 409, 91st Cong., 1st Sess. (1969) introduced by Senator Sparkman; H.R. 5549, 91st Cong., 1st Sess. (1969) introduced by Representative Pepper.

States, ^{37/} as a public debt transaction similar to that which takes place when a holder exchanges one type of government security for another. Public institutions holding funds could also be authorized to invest in such of the bank's obligations as might be guaranteed by the United States. ^{38/}

The bills as introduced if modified to encompass the housing program recommended as discussed above, would no longer be in effect for an urban development bank but for a national rebuilding and development bank, to act for the benefit of cities, suburbs and rural areas.

CONCLUSION

The possibilities of creation of a development bank to finance long-term rebuilding should be considered. Potential benefits could include:

1. creation of an environment in which equal housing opportunity regardless of race, color or national origin may be more readily attained.
2. Greater job security in the building industry at the same time as revitalization of the private building field.
3. Elimination of the need for technological and jurisdictional restrictions and limitations on entry of new employees into the industry.

^{37/} Id., § 9(b).

^{38/} The Douglas Commission recommended that "in the interest of meeting national housing goals, the Federal Government over the next decade strive to bring about a reduction in the general level of interest rates on indebtedness for housing." Douglas Commission,

(Footnote continued on next page.)

4. Greater opening of the industry to expanding use of mass production and new technologies.
5. Greater opening of the industry to new employees, including minority citizens now denied employment.
6. Ultimate replacement of public housing as we now know it by a new form of private housing.
7. Reduction of the need for subsidies for housing in the federal budget, and also possibility of actual financial gain for the taxpayer.
8. Elimination of income ceilings in publicly-assisted housing with the consequences of segregation, high turnover, low morale and blight in such housing, and replacement of this by a sliding scale under which those who can afford to do so would pay more but have the right to remain.
9. Replacement of drab one-use dormitory type housing with multi-purpose developments with many uses and amenities.
10. Creation of incentives for local authorities to agree to preemption of obsolete building codes and other restrictions and of obsolete land tax policies as to federally-sponsored rebuilding, and for local authorities to reconsider such policies as they apply generally.
11. Creation of a program to benefit all of the people in cities, suburbs and rural areas and without limitation to any one economic group.
12. Movement toward conditions in which people can live where they choose in cities or suburbs and consequently reduction in pressure for citizens to move to suburbs merely to escape intolerable conditions in the central cities.
13. Establishment of an environment in which less housing segregation can lead to less educational isolation.

38/ (Footnote continued from previous page).

182. The proposed development bank would be able to do this and hence reduce housing costs in this way as well, without affecting the overall interest rate policy elsewhere in the economy.

14. Encouragement of efforts to find other approaches to benefit differing groups in our society so that all can move forward together.

APPENDIX

The following is a draft of possible legislation to carry out the recommendations of the Bar groups and study commissions mentioned above for long-term funding of housing programs.

TABLE OF CONTENTS - NATIONAL REBUILDING AND DEVELOPMENT BANK ACT

	PAGE
Sec. 2 - Findings	1
Sec. 3 - Declaration of Purpose	5
TITLE I - THE NATIONAL REBUILDING AND DEVELOPMENT BANK	
Sec. 101 - Creation of Bank	5
Sec. 102 - Board of Directors	5
Sec. 103 - Loans and Investments Pursuant to National Rebuilding and Development Program	6
Sec. 104 - Other Loans to State and Local Governments and Purchase of Obligations of State and Local Governments	7
Sec. 105 - Obligations of the Bank	8
Sec. 106 - Federal Payment to the Bank	10
Sec. 107 - General Powers	11
Sec. 108 - Suits Involving the Bank	12
Sec. 109 - Limitation on Removal of Suits	13
Sec. 110 - Technical Assistance	13
Sec. 111 - Audit of Financial Transactions	13
Sec. 112 - Audit Report to Congress	14
Sec. 113 - Tax Exemption	15
Sec. 114 - Obligations as Lawful Investments, Acceptance as Security	15
Sec. 115 - Preparation of Obligations	16
Sec. 116 - United States Not Liable	16
Sec. 117 - Annual Report	16
Sec. 118 - Amendments and Other Provisions Relating to Financial Institutions	16
Sec. 119 - Definitions	18
TITLE II - NATIONAL REBUILDING AND DEVELOPMENT PROGRAM	
Sec. 201 - Authority of the Secretary	19
Sec. 202 - Sources of Funds	19
Sec. 203 - Long-Range Projects	20
Sec. 204 - Agreements with Contractors	20
Sec. 205 - Sale and Lease of Facilities; Operation of Facilities	21

	PAGE
Sec. 206 - Consent of Local Governments	22
Sec. 207 - Building and Construction Code Requirements	23
Sec. 208 - Maximum Feasible Private Participation	24
Sec. 209 - Maximum Feasible Citizen Participation	24
Sec. 210 - Housing Operated by Public Authorities	24
Sec. 211 - Labor Standards	25
Sec. 212 - Real Estate Taxation	26
Sec. 213 - Land Acquisition	27
Sec. 214 - Prohibition of Windfall Profits	27
Sec. 215 - Enforcement of this Act	28
Sec. 216 - Enforcement of Building and Construction Codes	29
Sec. 217 - Definition of "Secretary"	29
Sec. 218 - Use of Funds Received	29
Sec. 219 - Separability	30
Sec. 220 - Construction	30
Sec. 221 - Validity of Covenants	30

A BILL

To establish a National Rebuilding and Development Bank, to provide for a long-range program to assist in assuring decent neighborhoods for all citizens, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Rebuilding and Development Bank Act."

FINDINGS

SEC. 2. The Congress hereby finds that:

(a) The lack of long-range commitments and financing of efforts to rebuild blighted areas and to seek decent neighborhoods for all citizens has prevented the use of the most modern methods, caused job insecurity for employees in the industries involved, and led to higher costs than would otherwise exist.

(b) Lack of job security in such industries has led to resistance to the use of new technologies and resistance to the bringing in of new employees into the work force.

(c) High costs have led to rents and purchase price payments in rebuilt housing exceeding the ability to pay of residents in the communities affected, forcing many to move whether they wish to do so or not, often into worse housing at higher cost, and generating resistance to rebuilding efforts.

(d) Many citizens of all backgrounds have been forced to flee intolerable conditions in our central cities even though they might otherwise wish to remain there, thus tending to cause suburbs to lose

their suburban character and acquire city problems, creating unhealthy attitudes and racial polarization and threatening to spread blight into the countryside as well.

(e) High costs of housing have been fostered by obsolete building and construction codes and property tax systems which deter improvements.

(f) Only through a long-range concerted program supported by long-range development financing and investment can these conditions be remedied.

(g) Failure to remedy these conditions will result in blight spreading in urban, suburban and rural areas and will contribute to a climate of hostility, high crime rates, hopelessness and despair, violence and other social ills affecting the national interest, security and welfare, and affecting commerce among the several states.

(h) Federally assisted housing programs in the past have been less effective than they otherwise could have been because -

(i) Residence in publicly assisted housing has often been limited to persons of low incomes, thus depriving residents of incentive to raise their earning power, causing some to remain poor and forcing others to move, often to worse housing at higher costs. This has contributed to higher turnover, low morale, high crime rates, and a poor public image for publicly aided housing projects. This situation can be remedied by permitting residents whose incomes rise to remain while requiring them to pay their full share of the cost of the development in which they reside.

(ii) Publicly assisted housing has been lacking in diversity because stores and other amenities have been excluded from them, causing large, drab one-purpose dormitories to be constructed. This can be remedied by leasing concessions to operators of such amenities in publicly assisted developments under suitable conditions.

(iii) Residents have been inadequately involved in decisions of affecting them.

(iv) Coordinated planning for rebuilding of entire neighborhoods, retaining desirable features of the pre-existing community and assuring that residents of pre-existing communities may remain at rents or payments within their reach if they wish to do so, has been lacking.

(v) Private enterprise has been insufficiently involved in federally-assisted housing programs.

(vi) Residents have lacked the opportunity to acquire their own homes in publicly assisted housing developments.

(j) Dealing with these obstacles will require a large-scale effort on the part of all citizens to overcome the curse of blight, comparable in scope to other great national efforts made by the people of this nation in the past. To make possible this effort all citizens should be consulted about and involved in decisions affecting them to the maximum feasible extent.

(k) The sound and orderly development of the nation's communities, as well as the creation of new communities and the expansion and enlargement of existing communities which must take place to accommodate our growing population, also requires the adequate and timely provision of a wide variety of public works and community facilities, such as streets, water, sewers, schools, hospitals, libraries, airports, facilities for liquid and solid waste disposal, mass transit, recreation, and other facilities which serve community needs.

(l) To meet the anticipated financial needs of our growing communities will require the full mobilization of the resources and skills of all levels of government, State, local and Federal, as well as the private sector in coordinated and joint efforts. Public investment in the nation's communities, when efficiently planned and carried out, will add to the wealth of individual communities as well as of the nation.

(m) The creation of a National Rebuilding and Development Bank is necessary to the resolution of these difficulties and for a long-range orderly and efficient effort to provide opportunities for decent neighborhoods for all citizens.

DECLARATION OF PURPOSE

SEC. 3. It is the purpose of this Act to provide for a long-range rebuilding program to remove blight and to establish a National Rebuilding and Development Bank to make long-term development loans for construction of new dwellings and facilities in a manner which will overcome the drawbacks of past programs set forth in the findings contained in this Act, to provide technical assistance to State and local governments and their agencies, and to help them meet needs for essential public works and community facilities, as well as to assist in the acquisition of land necessary to the above objectives.

TITLE I - THE NATIONAL REBUILDING AND DEVELOPMENT BANK

CREATION OF BANK

SEC. 101. There is hereby created a body corporate to be known as the National Rebuilding and Development Bank, which shall have succession until dissolved by Act of Congress. The bank, which shall not be an agency of the United States Government, shall maintain such offices as may be necessary or appropriate in the conduct of its business.

BOARD OF DIRECTORS

SEC. 102. The bank shall have a board of directors which shall consist of seven persons, one of whom shall be the president of the bank, appointed by the President of the United States, by and with the advice and consent of the Senate. The directors shall serve at the pleasure of the President and until their successors

have been appointed and have qualified. Each such director may designate an alternate to serve as director in his absence. Any seat on the board which becomes vacant shall be filled by appointment of the President. Any director who is a full-time officer or employee of the United States shall not receive compensation for his services as director. The President of the United States, by and with the advice and consent of the Senate, shall appoint a president of the bank, who shall serve at the pleasure of the President of the United States. The president of the bank shall be chairman of the board of directors of the bank. The board of directors shall meet at the call of its chairman, who shall call meetings of the board not less often than once each two months. Subject to the general policies established by the board of directors of the bank, the president of the bank shall have charge of the management of the bank, and he shall be the chief executive officer of the bank.

LOANS AND INVESTMENTS PURSUANT TO NATIONAL REBUILDING
AND DEVELOPMENT PROGRAM

SEC. 103. For the purposes set forth in Title II of this Act, the bank is authorized to make loans to the Secretary of Housing and Urban Development, to make loans to State and local governments, to make loans to public and private corporations, and to make investments in projects and property and to guarantee loans made by public and private institutions.

OTHER LOANS TO STATE AND LOCAL GOVERNMENTS AND PURCHASE
OF OBLIGATIONS OF STATE AND LOCAL GOVERNMENTS

SEC. 104. (a) The bank is authorized, subject to the provisions of this Act, to make commitments to purchase, and to purchase, service, or sell, on terms and conditions determined by the bank, any obligation or participation therein, of a State or local government.

(b) Loans made by the bank under this section shall be in accordance with sound and prudent development banking principles, and no commitment under this section shall be entered into, and no purchase shall be made, unless the bank determines that the proceeds of any such purchase will be used by the borrower to finance capital expenditures for public works and community facilities serving community needs.

(c) The bank shall develop criteria to assure that projects assisted by it under this section are not inconsistent with comprehensive planning for the development of the community in which the projects to be assisted will be located or disruptive of Federal programs which authorize Federal assistance for the development of like or similar categories of projects. If the Secretary of Housing and Urban Development shall advise the bank that any project or loan or category of projects or loans may tend to be inconsistent with or defeat the purposes of Title II of this Act, the bank shall refrain from granting such loan or category of loans or assisting such project or category of projects.

Upon request of the Secretary of Housing and Urban Development, the Secretary shall be given advance notice of such types of action to be taken by the bank as the Secretary shall request.

(d) Any loan made pursuant to this section may be in an amount not exceeding the total capital cost of the project to be financed with the loan; shall be secured in such manner and be repaid in such period not exceeding forty years as may be determined by the bank; and shall bear interest at a rate determined by the bank which shall not be less than two-thirds the current average yield on outstanding obligations of the bank as of the last day of the month preceding the date on which the loan is made.

OBLIGATIONS OF THE BANK

SEC. 105. (a) The bank is authorized to issue and have outstanding obligations having such maturities and bearing such rate or rates of interest as may be determined by the bank. Such obligations may be redeemable at the option of the bank before maturity in such manner as may be stipulated therein. The bank shall insert appropriate language in all obligations issued by it pursuant to this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality other than the bank. The bank is authorized to purchase in the open market any of its outstanding obligations.

(b) The Secretary of the Treasury is authorized to purchase obligations issued by the bank in order to carry out the purposes of this Act and to effect such purchases is authorized to issue and deliver to the bank obligations of the United States, which may be in addition to any other such obligations authorized by law: Provided that the Secretary shall have transmitted to the Congress a statement of his intention to make such purchases, the amount thereof and the manner in which such purchases are to be effected, not less than 60 days prior to making such purchase, and that neither House of Congress shall have adopted a resolution disapproving such purchases. The Secretary of the Treasury may sell, upon such terms and conditions and at such price or prices as he shall determine, any of the obligations acquired by him under this subsection. All purchases and sales by the Secretary of the Treasury under this subsection shall be public debt transactions of the United States.

(c) Institutions and corporations created by or under acts of Congress having funds authorized to be invested in obligations of or guaranteed by the United States may invest such funds in the purchase of obligations of the bank notwithstanding any other provision of law: Provided that where necessary the Secretary of the Treasury has guaranteed to such institutions or corporations the payment of such obligations of the bank. The Secretary of the Treasury is authorized to guarantee payment of such obligations in order to carry out the purposes of this Act: Provided that the Secretary shall

have transmitted to the Congress a statement of his intention to make such guarantees, the amounts thereof and the manner in which such guarantees are to be made, not less than 60 days to making such guarantees, and that neither House of Congress shall have adopted a resolution disapproving such action. Guarantees given by the Secretary of the Treasury may be by their terms made nontransferable and valid only in connection with a claim for payment by the institution or corporation to which the guarantee is made, or may be given in such manner as to apply to any purchaser of the obligations of the bank as to which they are given: Provided that in either case the nature of the guarantee shall have been stated in the statement to the Congress by the Secretary of the Treasury required under this subsection.

FEDERAL PAYMENTS TO THE BANK

SEC. 106. (a) With respect to such amounts of loans of the bank as may be specified in appropriation Acts, the Secretary of Housing and Urban Development is authorized to make, and to contract to make, annual payments to the bank in amounts not to exceed the amount by which the dollar amount of interest paid by the bank on account of its obligations may exceed the dollar amount of interest received by the bank on account of loans made by it pursuant to this Act: Provided that where such contracts exceed appropriated funds then available to the Department of Housing and Urban Development the Secretary shall have transmitted to the Congress a statement of his intention to make any contracts to be entered into

under this subsection and the amounts thereof not less than 60 days prior to making such contracts and that neither House of Congress shall have adopted a resolution disapproving such action.

(b) There are hereby authorized to be appropriated to the Secretary of Housing and Urban Development such sums as may be necessary to carry out the provisions of this Act, including such sums as may be necessary to make the annual payments required by contracts entered into by the Secretary pursuant to subsection (a) of this section.

(c) In order to facilitate the formation of the bank, the Secretary of Housing and Urban Development is authorized to pay initial organizing and operating expenses, out of the appropriations authorized by subsection (b) of this section or such other appropriated monies as may be available to him.

(d) Except as hereafter otherwise expressly provided by law, such sums as may be appropriated pursuant to this section shall remain available until expended without fiscal year limitation.

GENERAL POWERS

SEC. 107. The bank shall have power -

(a) To sue and be sued, complain and defend, in its corporate name and through its own counsel;

(b) to adopt, alter and use a corporate seal, which shall be judicially noticed;

(c) to adopt, amend and repeal by its board of directors bylaws, rules and regulations as may be necessary for the conduct of its business;

(d) to conduct its business, carry on its operations, and have offices and exercise the powers granted by this Act in any State without regard to any qualification or similar statute in any State;

(e) to lease, purchase, or otherwise acquire, own, hold, improve, use or otherwise deal in and with any property, real, personal or mixed, or any interest therein, wherever situated;

(f) to accept gifts or donations of services, or of property, real, personal or mixed, tangible or intangible, in aid of any of the purposes of the bank;

(g) to sell, convey, mortgage, pledge, lease, exchange and otherwise dispose of its property and assets;

(h) to appoint such officers, attorneys, employees and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries, require bonds for them and fix the penalty thereof; and

(i) to enter into contracts, to execute instruments, to incur liabilities, and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

SUITS INVOLVING THE BANK

SEC. 108. The district courts of the United States shall have jurisdiction of suits by and against the bank without regard to amount in controversy or the citizenship of the parties.

LIMITATION ON REMOVAL OF SUITS

SEC. 109. No person sued by the bank shall be entitled to remove the case under title 28, section 1441, United States Code.

TECHNICAL ASSISTANCE

SEC. 110. (a) The bank is authorized to provide technical assistance to State and local governments in the preparation of comprehensive development projects and programs, including the evaluation of priorities and the formulation of specific project proposals. The bank may charge appropriate fees for its services under this subsection.

(b) The bank is also authorized to undertake research and information gathering, and to facilitate the exchange of advance concepts and techniques relating to municipal and rural growth and development among State and local governments.

AUDIT OF FINANCIAL TRANSACTIONS

SEC. 111. The financial transactions of the bank shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, files, reports, and all

other papers, things or property belonging to or in use by the bank and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. The expenses of audits performed under this section shall be borne out of appropriations to the General Accounting Office, and appropriations of such sums as may be necessary are authorized.

AUDIT REPORT TO CONGRESS

SEC. 112. A report of each audit for a fiscal year shall be made by the Comptroller General to the President and to the Congress not later than six months following the close of each fiscal year. The report shall set forth the scope of the audit and shall include a statement (showing inter-corporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the bank, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit. A copy of each report shall be furnished to the Secretary of Housing and Urban Development, the Secretary of the Treasury, and the bank.

TAX EXEMPTION

SEC. 113. The bank, its property, its franchise, capital, reserves, surplus, security holdings, and other funds and its income shall be exempt from all taxation now or hereafter imposed by the United States or by any State or local government or taxing authority, except that:

(a) Subject to the limitations contained in Title II of this Act in certain cases, any real property and any tangible personal property of the bank shall be subject to Federal, State and local taxation to the same extent according to its value as other such property is taxed; and

(b) any and all obligations issued by the bank shall be subject both as to principal and interest to Federal, State and local taxation to the same extent as the obligations of private corporations are taxed.

OBLIGATIONS AS LAWFUL INVESTMENTS, ACCEPTANCE AS SECURITY

SEC. 114. All obligations issued by the bank shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or any officer or officers thereof: Provided that where such funds by law may be invested only in obligations of or guaranteed by the United States as to interest or principal or both, the provisions of Section 105(c) of this Act shall govern. All obligations issued by the bank pursuant to this Act shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission.

PREPARATION OF OBLIGATIONS

SEC. 115. In order to furnish obligations for delivery by the bank, the Secretary of the Treasury is authorized to prepare such obligations in such form as the board of directors of the bank may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the bank. The engraved plates, dies, bed pieces and the like executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The bank shall reimburse the Secretary of the Treasury for expenditures made in the preparation, custody, and delivery of such obligations.

UNITED STATES NOT LIABLE

SEC. 116. The United States shall not be liable for any debts, defaults, acts, or omissions of the bank except under guarantees authorized by Section 105(c) of this Act.

ANNUAL REPORT

SEC. 117. The bank shall, as soon as practicable after the end of each fiscal year, transmit to the President of the United States and the Congress an annual report of its operations and activities.

AMENDMENTS AND FURTHER PROVISIONS RELATING TO FINANCIAL INSTITUTIONS

SEC. 118. (a) The sixth sentence of the seventh paragraph of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting "or obligations of the National Rebuilding and Development Bank," immediately after "or obligations, participations, or other instruments of or issued by the Federal National Mortgage Association or the Government National Mortgage Association,".

(g) For the purposes of section 201 of Title 18, United States Code relating to bribery of public officials, and for no other purpose, employees of the bank who are not otherwise employees of the United States shall be deemed to be public officials and employees of the United States.

(h) For the purposes of provisions of Title 18, United States Code respecting counterfeiting and other unlawful acts respecting obligations of the United States and for no other purpose, obligations of the bank shall be deemed to be obligations of the United States.

DEFINITIONS

SEC. 119. As used in this Act -

(a) The term "bank" means the National Rebuilding and Development Bank created by this Act.

(b) The term "State" means the States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Trust Territory of the Pacific Islands, or any agency or instrumentality of a State.

(c) The term "local government" means any county, municipality, or other political subdivision of a State, or agency or instrumentality thereof, or any school or other special district created by or pursuant to State law.

(d) The term "obligation" means and includes any bond, note, debenture, or other instrument, interest bearing or otherwise, evidencing debt.

(e) The term "public corporation" shall include any corporation or entity established by the United States or a State or local government.

TITLE II - NATIONAL REBUILDING AND DEVELOPMENT PROGRAM AUTHORITY OF
THE SECRETARY

SEC. 201. The Secretary of Housing and Urban Development is authorized subject to the provisions of this Act and to effectuate the purposes of this Act:

(a) To make loans and investments for the purpose of construction of housing and community facilities on such terms as will effectuate the purposes of this Act;

(b) To sell or lease property on such terms as will effectuate the purposes of this Act;

(c) To recommend persons and public and private corporations for eligibility for loans under section 103 of this Act, and projects and property as investments under section 103 of this Act, on such terms as will effectuate the purposes of this Act.

SOURCES OF FUNDS

SEC. 202. For the purpose of carrying out the objectives of this Act the Secretary may utilize funds borrowed from the bank pursuant to section 103 of this Act, or monies otherwise available to him. There are authorized to be appropriated to the Secretary such sums as may be necessary to carry out the purposes of this Title, which except as hereafter otherwise expressly provided by law shall remain available until expended without fiscal year limitation.

LONG-RANGE PROJECTS

SEC. 203. Loans and investments made by the Secretary and by the bank may provide for, and provide funds for, construction over such periods of time as may be necessary to carry out the purposes of this Act.

AGREEMENTS WITH CONTRACTORS

SEC. 204. In making loans, investments and recommendations for eligibility for loans and investments by the bank, the Secretary or the bank may include terms whereby contractors and subcontractors engaged to perform construction shall agree to:

- (a) Employ personnel for periods, which may exceed one year, up to the life of the contract entered into for construction pursuant to the loan or investment made by the Secretary or the bank;
- (b) Utilize the most modern and efficient methods of work;
- (c) Provide evidence satisfactory to the Secretary or to the bank that collective bargaining representatives of employees have agreed to the use of the methods referred to in subsection (b) in view of assurances of employment pursuant to subsection (a) of this Act and the program authorized by this Act including contracts awarded to other contractors;
- (d) Comply with safety and other building and construction standards fixed by the Secretary where promulgated pursuant to this Title; and
- (e) Adhere to such other conditions as may be necessary to effectuate the purposes of this Act.

SALE AND LEASE OF FACILITIES; OPERATION
OF FACILITIES

SEC. 205. In making sales or leases of property and in making loans and investments and under section 103 of this Act, the Secretary or the bank may include terms whereby persons and public or private corporations shall agree to operate facilities constructed pursuant to this Act under terms and conditions which will effectuate the purposes of this Act, including but not limited to such of the following as may be appropriate:

(a) That rentals or cooperative or condominium purchase price payments to be paid by residents in housing constructed pursuant to this Act who receive incomes in amounts less than a specified level shall be reduced or deferred in part under a formula fixed by the Secretary or the bank, and that payments by the owner, lessee or operator to the Secretary or the bank or their designees may be reduced or deferred accordingly:

(b) That residents who make reduced or deferred payments pursuant to subsection (a) shall make increased payments as their income rise;

(c) That new housing be open to persons previously residing in the community involved on a priority basis and that there be no discrimination based upon race, creed, color, national origin or other irrelevant or invidious grounds with respect to residents or prospective residents;

(d) That space be reserved on specified terms for stores or other amenities, to be used in a specified manner, and that if such use is no longer possible, the right to use such space be available under specified terms;

(e) That priority be given to persons of low incomes for initial occupancy in a specified proportion of units in any project: Provided that such persons shall not be required to vacate such units because of subsequent increases in their incomes other than by reason of failure to pay increased charges on such account as authorized under subsection (b) of this section.

(f) That space be reserved on specified terms for the use of local public agencies or non-profit agencies for such purposes as schools, museums, recreation, law enforcement and other community requirements, and that if such use is no longer possible, the right to use such space be available under specified terms;

(g) That such other conditions as may be necessary to effectuate the purposes of this Act be adhered to.

CONSENT OF LOCAL GOVERNMENTS

SEC. 206. (a) The Governor of any State and the highest elected official of any local government may at any time deposit with the Secretary a written request that loans or investments for construction in the State or locality be withheld. While such request is in effect and has not been revoked, no further loans or investments for construction in such State or locality shall be made pursuant to this Act, but this shall not affect the completion of projects begun prior to the depositing of such request, or which may be carried out under loans or investments made prior to the depositing of such request.

(b) The Secretary may specify that the affirmative consent of the highest elected official of a local government shall be necessary prior to the granting of loans or investments for construction in the locality involved under this Act, where such loans or investments may or will involve the supersession of otherwise applicable local laws including laws concerning building and construction code requirements, real estate taxes or other matters pursuant to this Act. Subsequent withdrawal of such consent shall not affect in any respect the status or projects begun prior to such withdrawal or which may be carried out under loans or investments made prior to such withdrawal.

BUILDING AND CONSTRUCTION CODE REQUIREMENTS

SEC. 207. The Secretary may where he deems it necessary to the effectuation of the purposes of this Act prescribe building and construction code requirements which shall be applicable to construction pursuant to loans or investments under this Act, and which shall supersede otherwise applicable State or local laws, ordinances and regulations on such subjects to the extent specified by the Secretary. Requirements imposed under this section shall be designed to protect the health and safety of residents and citizens as fully as would the otherwise applicable laws. The United States and the Secretary shall not be liable as a result of the exercise of authority under this section, but the Secretary may require owners, lessees, operators, contractors and subcontractors to procure insurance against accidents for the benefit of employees, residents and the public in a form satisfactory to the Secretary.

MAXIMUM FEASIBLE PRIVATE PARTICIPATION

SEC. 208. It is the intent of this Act that the private sector be involved in efforts to further the objectives of this Act to the maximum possible extent, and to this end -

(a) The Secretary and the bank may accept private participation in loans and investments under this Act in a manner consistent with the objectives of this Act and providing in an equitable and nondiscriminatory manner opportunity for investors to take part in such participation;

(b) It is the intent of this Act that all construction hereunder be carried on by private contractors;

(c) It is the intent of this Act that housing constructed under this Act be sold, leased or transferred to private owners or operators, including residents of such housing, pursuant to section 205 of this Act to the maximum extent consistent with the objectives of this Act.

MAXIMUM FEASIBLE CITIZEN PARTICIPATION

SEC. 209. In exercising his powers under this Act, the Secretary and the bank shall consult citizens in the areas to be affected and afford them maximum feasible participation in decisions affecting them. For such purpose they may appoint, or provide for the election or appointment by others, of local advisory bodies.

HOUSING OPERATED BY PUBLIC AUTHORITIES

SEC. 210. In all housing constructed pursuant to this Act and operated by Federal, State or local authorities, the Secretary and the bank shall require that:

(a) The development be managed so as to create an environment where the residents regard the dwellings as their homes and the development as their neighborhood;

(b) Maximum attention be paid to residents' dignity, privacy and personal safety, with special attention to avoiding unnecessarily burdensome regulations;

(c) Leadership be given to achieve the best possible coordinated services for residents to the maximum extent possible;

(d) Opportunities for training and participation in development management be afforded residents to the maximum extent possible;

(e) Equitable procedures be established for handling grievances;

(f) Maximum participation feasible be accorded residents in management of development affairs and programs be designed to strengthen the self-sufficiency of the residents, including availability of meeting rooms to residents, and consultation with regard to rental and occupancy policies, rules and regulations, eviction policies, physical improvement of sites, recreation and community facilities, safety and security measures, day care, social services, job training and health services.

LABOR STANDARDS

SEC. 211. All laborers and mechanics employed by contractors or subcontractors on all construction projects under this Act shall receive terms and conditions of employment at least as advantageous and beneficial to them as wages at rates on similar construction in the locality as determined in accordance with the Davis-Bacon Act as amended

(40 U.S.C. 276a-276a-5). The Secretary of Labor and the Secretary of Housing and Urban Development by agreement between them may jointly promulgate regulations governing conditions, including long-term employment, which shall qualify under this section. The Secretary of Labor shall have with respect to the labor standards specified in this section the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176, 5 U.S.C. 133z-15) and section 2 of the Act of June 13, 1934 as amended (40 U.S.C. 276(c)), which he may exercise directly, or in such equally effective manner as he and the Secretary of Housing and Urban Development may jointly agree upon with respect to projects under this Title. No payments on work under this section may be made in kind or in any way other than in money or where otherwise permitted by check.

REAL ESTATE TAXATION

SEC. 212. Where the Secretary or the bank find that the degree of taxation levied upon improvements on real estate will defeat the purposes of this Act, and where the Secretary or the bank retain title to property on which construction under this Title has proceeded or is to proceed, which may be leased rather than sold, including where such property has been leased pursuant to sections 205 and 208(c) of this Act, the Secretary or the bank shall pay to the taxing jurisdiction involved in lieu of taxes as (a) such amounts may be agreed upon between the Secretary or the bank as the case may be and the taxing authority, or (b) in the absence of such agreement, such amounts as Secretary determines would be due were the taxation levied primarily upon the location value of the property, or upon the property and improvements had the improvements financed under this Act not been made. The Secretary may provide by regulation that this

section shall not be applied where real estate taxes meet standards published by him designed to avoid unduly burdensome taxation of improvements.

LAND ACQUISITION

SEC. 213. The Secretary may acquire property to carry out the purposes of this Act including property to be purchased or invested in by the bank or concerning which the bank may extend loans, by purchase or condemnation, but where condemnation is utilized, the compensation estimated to be due by the Secretary shall not exceed the amounts available to him under section 202 of this Act. Where the Secretary finds it necessary to the effectuation of the purposes of this Act, the Secretary may take title to property by notification to the owner and tender of estimated damages subject to further ascertainment of damages through judicial proceedings subsequent to such taking.

PROHIBITION OF WINDFALL PROFITS

SEC. 214. Wherever the Secretary or the bank prepare plans for redevelopment of an area or community or portions thereof in order to carry out the purposes of this Act, all properties taken by purchase, by condemnation pursuant to section 215 of this Act or by condemnation by State or local public authority as part of a joint federal - local effort or federal-State effort in furtherance of such plans shall be deemed obtained pursuant to a single public project and included in such project from the beginning of such plans for purposes of ascertainment of damages for taking of any such properties. This section shall apply regardless of whether titles to some properties included in such plans are taken by private parties making investments contemplated by this Act. Damages awarded to a condemnee for property taken pursuant to section 213 of

this Act shall not include any amount traceable to improvements in neighboring properties, areas or communities as a result of projects under this Act, or to increases in value of the land taken because of such improvements. In awarding compensation for takings under Section 213 of this Act the court shall take into account any extent to which buildings on property taken are in violation of building or housing codes or other local, state or federal laws, and the cost which would be necessary to bring such buildings into conformity with such laws.

ENFORCEMENT OF THIS ACT

SEC. 215. The District Courts of the United States shall have jurisdiction without regard to the amount in controversy or the citizenship of the parties of all suits for violation of this Act or contracts agreements, stipulations or regulations hereunder. The Secretary of Housing and Urban Development shall have standing to bring actions under this section to enforce contracts and agreements authorized or required under this Act, whether or not he is a party to such contract or agreement. The Secretary shall have the authority to intervene in any judicial proceedings involving the construction or application of this Act or any contractor, stipulation or regulation hereunder. The Secretary shall have authority to bring suit for all persons affected by any violation of this Act or any regulation thereunder or any contract or agreement required by action of the Secretary under this Act. In any suit brought under this section, the Court shall have the power to grant such relief as may be just.

ENFORCEMENT OF BUILDING AND CONSTRUCTION CODES

SEC. 216. Violations of building and construction code requirements promulgated by the Secretary under section 207 shall be punishable by such civil or criminal sanctions as apply to violations of State or local building and construction codes in the location involved, in addition to being subject to the provisions of section 215 of this Act. Such violations may be prosecuted by the appropriate local authorities in State courts if the Secretary determines that such enforcement would be in the interests of the purposes of this Act. In the absence of such determination, such violations shall constitute and be prosecutable as offenses against the United States. Where the Secretary determines that otherwise applicable building and construction codes do not interfere with the purposes of this Act, he may provide by regulation that supersession of such codes under Section 207 of this Act shall cease to apply.

DEFINITIONS OF "SECRETARY"

SEC. 217. Where the term "Secretary" is used in this Title, such term shall mean the Secretary of Housing and Urban Development unless the context otherwise requires.

USE OF FUNDS RECEIVED

SEC. 218. Funds received by the Secretary as a result of sales, leases and other operations under this Title may be utilized by him as provided in section 202 of this Act or to make payments on account of his indebtedness to the bank without further authorization therefor. Where such payments are anticipated but not available on the due date of an obligation of the Secretary of the bank, the bank shall have the authority to refinance such obligation on terms agreed upon between the Secretary and the bank.

SEPARABILITY

SEC. 219. If any provision of this Act, or the application of such provision to any person or circumstances shall be held invalid, the remainder of this Act, and the application of such provision to other persons and circumstances shall not be affected thereby.

CONSTRUCTION

SEC. 220. Wherever a provision of Title I or Title II of this Act refers to this Act, it shall be taken to include both Title I and Title II of this Act.

VALIDITY OF COVENANTS

SEC. 221. Any covenant or stipulation which the Secretary or the bank shall insert, or require to be inserted, in any conveyance, lease, sale or transfer of property, to the effect that such property or interest therein conveyed shall be used in a specified manner or shall be subject to conditions designed to effectuate the purposes of this Act, including without limitation sections 205 and 210 of this Act, shall be recognized as valid, and shall not be extinguished by further transfers of such property with or without notice except with the consent of the Secretary or the bank or under regulations prescribed by the Secretary. Such covenants or stipulations may provide that the interest transferred, sold or conveyed shall revert to the Secretary or the bank if the conditions set forth are breached, and such provisions shall be given full effect for all purposes.

-- Richard A. Givens