

15
File

The State Central Savings Bank

601 MAIN STREET

PHONE 524-1021

KEOKUK, IOWA 52632

July 1, 1969

GENERAL
FI 5
FI 2

W. A. LOGAN, PRESIDENT
WILLIAM LOGAN, EXECUTIVE VICE PRESIDENT
J. H. HANAN, VICE PRESIDENT & CASHIER
JOHN H. DUERKOP, ASSISTANT VICE PRESIDENT
F. E. BREITENSTEIN, ASSISTANT VICE PRESIDENT
HARDIN W. MASTERS, TRUST OFFICER
ARLINE DUPY, ASSISTANT CASHIER
RICHARD C. WORSTER, ASSISTANT CASHIER

H

The Honorable Richard M. Nixon
The President of the United States
The White House
Washington, D. C. 20000

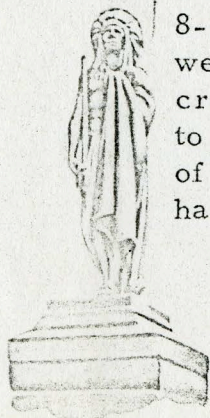
Dear Mr. President:

My sincere thanks to you for autographing the pictures we took when we flew you and Ray Page from Peoria to Macomb for your very successful speech on his behalf.

filed
EX
PR 5-1/LX
6/27/69

Certainly I cannot speak as an expert, but in my opinion you are doing an excellent job and trying to accomplish a very difficult program in Viet Nam, and I am sure the midwest is very tired of this conflict. Secondly, your fiscal and monetary problems are "right on target". You inherited a hodge-podge of inept fiscal responsibility and to correct a \$25 billion deficit along with the spending programs of the Democrats without some disruption is well nigh impossible. Like a family, government must live within its budget and take the medicine as necessary. There could be some unemployment, but for the integrity of the dollar we must do it.

I was disappointed that the major banks could not find other ways to discourage borrowing other than increasing the prime rate to 8-1/2%. We have not raised to 8-1/2% at The State Central but we have curtailed new commitments and restricted our lines of credit to previous borrowers. Borrowers are being encouraged to "stretch out" any new programs as we recognize the responsibility of banks to the national policy. We feel that the center banks could have done more of this and hope that they will in the future.



William Logan

GENERAL

FI8
FI2

July 12, 1969

Mr. Warren Wells
4085 Lago Drive
Post Office Box 3008
Santa Barbara, California 93105

Dear Mr. Wells:

Thank you very much for your letter of June 18 with its cogent comments concerning the impact of standby loan agreements on the interest rate.

I have taken the liberty of sharing your views with Secretary Kennedy and Dr. McCracken, Chairman of the Council of Economic Advisors.

We are certainly doing all we can to halt the inflationary spiral, but we do need some help from the Congress.

With best regards,

Sincerely yours,

Peter M. Flanigan
Assistant to the President

bcc w/incoming to Secretary Kennedy
Dt. McCracken

cc: Central files
file cy

GENERAL

FI 8

FI 2

July 12, 1969

Dear Don:

This is with further reference to your letter of June 27 urging the President to appeal to America's bankers and lending institutions to "hold the line" on interest rates and prepare the way for their reduction.

As you know this Administration inherited a highly inflationary situation. The President has made the fight against inflation a priority program. The Administration's fiscal policies, involving a tight rein on Federal spending and the tax proposals currently before the Congress, are aimed at producing much needed surplus in the Federal Budget. Current policies of the monetary authorities are aimed at restricting the expansion of credit in the economy. The proper synchronization of these fiscal and monetary policies is expected to return the economy to a course of noninflationary growth.

The continuing escalation of interest rates is symptomatic of the continuing inflationary psychology pervading the economy. The enclosed copy of Secretary Kennedy's statement of June 19 before the House Banking and Currency Committee provides a discussion of the recent increase in the prime rate and Federal policies required to relieve interest rate pressures. Of particular note will be the Secretary's comments, on page 5, regarding selective Federal intervention to roll back price increases.

With warm regard,

Sincerely,

William E. Timmons
Deputy Assistant to
the President

Honorable Don H. Clausen
House of Representatives
Washington, D.C. 20515

Enclosure

WET:TREASURY:
EF:cmf

BW
GENERAL

FI 2

FG 33-4

July 29, 1969

Dear Orin:

Just a note to thank you for speedily sending us the one-bank holding company legislation, H. R. 6778, and the report as it came out of the Banking and Currency Committee. I appreciate having these on hand so promptly.

With warm regard,

Sincerely,

Bryce

Bryce N. Harlow
Assistant to the President

X
Mr. Orman S. Fink
Minority Staff
Committee on Banking and Currency
House of Representatives
Washington, D. C.

BNH:VO:EF:sle

bcc: WETimmons

*sent
7-30*

RECEIVED
JUL 31 1969
CENTRAL FILES

WRIGHT PATMAN, TEX., CHAIRMAN
WILLIAM A. BARRETT, PA.
LEONOR K. (MRS. JOHN B.) SULLIVAN, MO.
HENRY S. REUSS, WIS.
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BILL CHAPPELL, JR., FLA.

HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING AND CURRENCY

NINETY-FIRST CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, D.C. 20515

July 24, 1969

Rec'd 7/25

WILLIAM B. WIDNALL, N.J.
FLORENCE P. DWYER, N.J.
SEYMOUR HALPERN, N.Y.
W. E. (BILL) BROCK, TENN.
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J. WILLIAM STANTON, OHIO
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MARGARET M. HECKLER, MASS.
WILLIAM O. COWGER, KY.
J. GLENN BEALL, JR., MD.

PAUL NELSON,
CLERK AND STAFF DIRECTOR

225-4247

Dear Bryce:

Mrs. Olsen of your office called me yesterday regarding the status of the one-bank holding company bill.

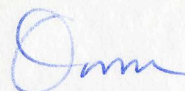
I am enclosing a copy of the bill as reported, together with a copy of the report, which just became available today. This is the culmination of hearings on the original H.R. 6778 as introduced by Chairman Patman and H.R. 9685, the Administration bill, introduced by Congressman Widnall.

H.R. 6778 as reported is a compromise version, the language of which is essentially the Stanton bill, H.R. 12130 with certain changes.

Even though the bill as reported bears the number of the original Patman bill, H.R. 6778, the language bears very little resemblance to the bill as introduced.

Please let me know if I can be of assistance to you at any time.

Sincerely,



Orman S. Fink
Minority Staff

Honorable Bryce Harlow
The White House
Washington, D. C.

August 5, 1969

Mr. Lionel R. Pollacchi
President
Palmer, Pollacchi & Co., Inc.
160 State Street
Boston, Massachusetts 02109

Dear Mr. Pollacchi:

I have been asked to reply to your letter of July 10 to the President regarding House Bill # S. 2224.

I will be most willing to talk to Mr. Carl L. Shipley, whom I have dealt with on other matters, concerning this pending legislation.

With best wishes.

Sincerely,

Daniel W. Hofgren
Deputy Assistant to
the President

cc: Carl L. Shipley
Central Files

DWH/djb

GENERAL

LG

FI 2

August 10, 1969

Dear Norbert:

How wonderful to hear from you; it always makes me feel good when one of the old clan pops up in my firmament. Pat Moynihan's principal assistant is our old friend Steve Hess. You perhaps recall Steve; he was assistant to Mac Moos, President Eisenhower's principal writer during the closing period of the Administration.

I have turned your correspondence and brochures over to Steve because of his official involvement and expertise in urban affairs. Moreover, I shall be away from Washington until September 8, and I am sure you would like to get this program in the mill.

I am sure you will be hearing from Steve in a reasonable while. With cordial regard,

Sincerely,

Bryce N. Harlow
Assistant to the President

Mr. W. Norbert Engles
Chairman of the Board
+ Chicago City Bank and Trust Company
Sixty-third at Halsted
Chicago, Illinois 60621

BNH:sjs

RECEIVED
AUG 15 1969
CENTRAL FILES

BROUGHT FORWARD

GENERAL

FI2

Previously filed

8/14/69

Date

NAME

Mr. Snouping Linn

ORGANIZATION

GENERAL

FI2

New File Symbol

9/4/69

Date

FINAL ACTION

Miss Mary Fenton's
(Miss Woods' Staff) letter
to Mr. Linn

gh
mem

4

GENERAL

FI 2

LG/Watts

August 19, 1969

Dear Mr. Bromwich:

I have your letter of July 29, 1969, concerning a pilot rehabilitation and refinancing program of the Equitable Savings and Loan Association in the Watts area of Los Angeles.

Secretary Romney informs me that Mr. Gordon Pattison, of Equitable, met on August 12, 1969, here in Washington, with members of his staff. At that meeting they were able to further refine the problems associated with this effort. Mr. Pattison plans to discuss this with Mr. Charles A. Wellman, President of Equitable in Los Angeles, in the coming week and get back in touch with HUD shortly.

I am hopeful that something can be worked out.

Sincerely,

Daniel P. Moynihan
Assistant to the President

Mr. Leo Bromwich
Legal Counsel
+ Government Housing Programs
+ Equitable Savings and Loan Association
8150 Sunset Boulevard
Los Angeles, California 90046

DPM:HUD:jf
3

RECEIVED
AUG 20 1969
CENTRAL FILES

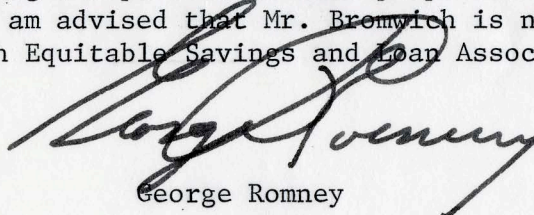


THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C.. 20410

AUG 18 1969

MEMORANDUM FOR: Chester E. Finn, Jr.
Staff Assistant to the President
The White House

In response to your request dated July 31, 1969 I am enclosing a draft of a letter to Mr. Leo Bromwich of Los Angeles, concerning a pilot rehabilitation and refinancing program of the Equitable Savings and Loan Association in the Watts area. I am also attaching a report about this proposal. For your information, I am advised that Mr. Bromwich is no longer associated with Equitable Savings and Loan Association.


George Romney

DRAFT

Dear Mr. Bromwich:

I have your letter of July 29, 1969, concerning a pilot rehabilitation and refinancing program of the Equitable Savings and Loan Association in the Watts area of Los Angeles.

Secretary Romney informs me that Mr. Gordon Pattison, of Equitable, met on August 12, 1969, here in Washington, with members of his staff. At that meeting they were able to further refine the problems associated with this effort. Mr. Pattison plans to discuss this with Mr. Charles A. Wellman, President of Equitable in Los Angeles, in the coming week and get back in touch with HUD shortly.

I am hopeful that something can be worked out.

~~Very~~ sincerely yours,

Type a draft

DANIEL P. MOYNIHAN

Mr. Leo Bromwich
Legal Counsel
Government Housing Programs
Equitable Savings and Loan Association
8150 Sunset Boulevard
Los Angeles, California 90046

On August 12, 1969, Mr. Gordon Pattison, Vice President of the Equitable Savings and Loan Association, met with members of HUD staff here in Washington to discuss the proposed pilot rehabilitation and refinancing program in the Watts area. (This is the matter discussed in the letter of July 29, 1969, from Mr. Leo Bromwich of Equitable to Mr. Daniel P. Moynihan). Mr. Pattison advised that Mr. Bromwich's association with Equitable will be terminated shortly and that he, as the loan production officer of the association, will have the responsibility of following through on the pilot program.

At this meeting the actions taken to date were reviewed and the problems needing resolution were identified. A major difference between Mr. Bromwich and HUD has been the degree of rehabilitation required and the resultant extent of loan write-off that will be required of Equitable. HUD has insisted upon the houses being brought up to minimum sound structural standard. To do otherwise, it believes, would be a travesty to the homeowners who would soon be saddled with major repairs they could not afford and further would not achieve the intended goal of the program to restore the vitality of the neighborhood. A summary of events follows:

On March 3, 1969, Mr. Robert B. Pitts, the HUD Regional Administrator in San Francisco, members of his staff, and the FHA Los Angeles insuring office and central office staff met with Mr. Charles A. Wellman, President of Equitable Savings and Loan Association and his staff in Los Angeles.

Mr. Wellman stated the purpose of the meeting was to explore the feasibility of a massive refinancing and rehabilitation program for the Watts area. An inventory of over 5,000 mortgages and properties amounting to some \$50 million had been assigned to them by FSLIC for servicing. He acknowledged that there were severe problem cases in their portfolio requiring high servicing costs and that foreclosures were increasing.

Mr. Wellman named Mr. Bromwich to be in charge of the "pilot program". He further stated that he believed that "both substantial rehabilitation and radical refinancing" were necessary to gain support for the program from the area residents and reverse the decline of values which had prevailed in the area since 1960.

The following proposal was developed: assemble 45 cases in a closely defined neighborhood where the properties could be rehabilitated and where refinancing could be provided to the homeowners with FHA mortgages. The rehabilitation of these properties and restructuring of the owners housing payments to a proper level should have a stabilizing effect on the neighborhood. The Savings and Loan would negotiate with junior lien holders for the homeowners to clear the properties of liens and judgements at the lowest possible cost. They also would work closely with the tax assessors office to obtain proper assessed values and tax rates as many properties appear to be overtaxed. The Savings and Loan Association would absorb all FHA fees, title costs, legal charges, etc., and the FHA mortgage interest rate would not exceed 7% plus mortgage insurance premium. Where the present mortgage interest rate was less than 7%, the lower interest rate would be continued on the new FHA mortgages. The incomes of homeowners that were inadequate to meet the mortgage payments would need an interest subsidy. Equitable agreed to hold the permanent loans on all cases.

FHA officials performed a preliminary field review of the Watts area and inspection of several properties with Mr. Bromwich the following day. It noted that approximately 25 properties were located in a 2 block area on one street. It recommended these properties be the pilot project if they found it feasible to continue. A summary of our understanding of their proposal and tentative proposal for the pilot program was forwarded to Mr. Wellman on March 12, 1969.

On April 7 the Savings and Loan advised they had selected 45 properties in the general area. Contact was made with the occupants and it developed that of the 39 occupied units, 20 were absentee owned. Further discussions reduced the 45 properties to 15 that were willing to consider Equitable's proposal to work through FHA for rehabilitation and refinancing of their property.

Preliminary data on the income and credit characteristics of the interested homeowners was obtained and related to mortgage payments and housing expense. This revealed the very high percentage of second and third liens encumbering the properties. Special attention was required on the subject of welfare payments as the State of California placed a

lien against the recipients' property in the full amount of every payment. This item was directed to the legal division for a finding, not only for these cases but on all properties on which we insure the mortgage loan. Most of these payments exceed the monthly mortgage payments and therefore the property owner would create no equity.

Equitable Savings and Loan later completed FHA forms for appraisal on 11 properties and submitted these in preliminary form to the Los Angeles insuring office.

FHA Los Angeles Director Callahan assigned the cases to a two-man team for immediate analysis. These employees had great difficulty in obtaining entry to the property and very extensive delays occurred. Many cases involved several call backs including inspection and appraisal of the property on non-work days as well as before and after work hours.

Upon completion of their findings a meeting between Director Callahan's staff and Mr. Bromwich was held. This meeting revealed a wide disparity in the quality and cost of rehabilitation believed necessary to provide a dwelling on which minimal maintenance expense would be required during the first 5 to 8 years of the mortgage. FHA found in practically every case the electrical heating and plumbing installations were in need of major repairs. These repairs were not contemplated by the Equitable estimates which generally included exterior and interior painting, patching of roof leaks and no mechanical upgrading to building code standards.

As a result of the August 12 meeting, Mr. Pattison, of Equitable, was prepared to discuss and hopefully clarify with his board the following items:

1. settlement of second and third junior liens presently encumbering many of the properties at a discount, if possible.
2. open negotiations with local assessors to obtain more realistic real estate tax values and rates,
3. write-down, by Equitable, of existing mortgage balance or book value when required to produce a feasible new mortgage for owners in possession,

4. rehabilitation standards would be to the extent required to produce a weather-tight, termite-free structure; electrical, plumbing, and heating repairs to be brought to the building code standard adequate to provide for no major repair to the dwelling for the first five to eight years of the new mortgage.

The problem is further complicated by the fact that there does not appear to be any mechanism to develop support of the residents in the area for the pilot program. Further, there are fears on the part of the owners to increase the amount and term of mortgage even though it may be possible for their monthly payment to remain essentially the same after rehabilitation. Mr. Pattison agreed that this does pose a real problem, but hoped it could be overcome if the other details were worked out. He plans to get back to us after he has met with his board in Los Angeles.

THE WHITE HOUSE OFFICE

REFERRAL

To: Office of the Secretary
HUD

Date: July 31, 1969

ACTION REQUESTED

~~XXX~~ Draft reply for:

_____ President's signature.

XXXXXXX Undersigned's signature.

No later than August 11, 1969

_____ Memorandum for use as enclosure to
reply.

_____ Direct reply.

_____ Furnish information copy.

_____ Suitable acknowledgment or other
appropriate handling.

_____ Furnish copy of reply, if any.

_____ For your information.

~~XXXX~~ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered,
please telephone the undersigned immediately,
Code 1450.

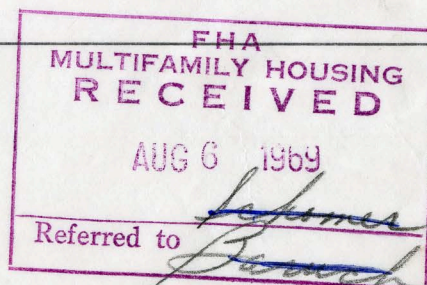
Basic correspondence should be returned when
draft reply, memorandum, or comment is re-
quested.

REMARKS:

Description:

~~XX~~ Letter: _____ Telegram: _____ Other: _____

To: Daniel P. Moynihan
From: Leo Bromwich
Date: July 29, 1969
Subject: Low income family housing



Phillips
/ Coord.
W/ Training

By direction of the President:

Chester E. Finn, Jr.

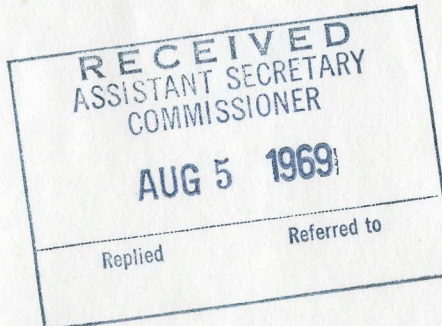
Chester E. Finn, Jr.
Staff Assistant to the President
(for Dr. Moynihan)

EQUITABLE SAVINGS & LOAN ASSOCIATION

8150 SUNSET BOULEVARD • LOS ANGELES, CALIFORNIA 90046 □ TELEPHONE 654-5551

July 29, 1969

Mr. Pat Moynihan
Assistant to President for Urban Affairs
The White House
600 Pennsylvania Avenue
Washington, D. C. 20500



Dear Mr. Moynihan:

You and I engaged in brief correspondence on low income family housing while you were teaching at Harvard and I was Deputy Savings and Loan Commissioner of the State of California. I have since moved into the private industry. In the last six months I directed a low income family housing project in Watts for Equitable Savings and Loan Association. The project has run into difficulties which are summarized in the enclosed report. The administrative mazes through which we have passed might be illustrative of the difficulties we all encounter in the solution of urban problems. For this, as well as other reasons, I thought it might be worth while to send this report to you.

I hope that you and your staff will note that Equitable's project involves no direct expenditure of funds by the Federal Government. It involves cooperation between private and public sectors of our economy, and, if successful, might lead to massive rehabilitation of housing in the low income areas of our cities. It is thus fully in line with the public policy proclaimed by the present administration.

Note also that the difficulties in our way are mainly administrative rigidity and unwillingness of the local offices to experiment with something for which no clear cut rules exist at the present time. Mr. Pitts, HUD's Regional Director, has been in favor of the project from its inception. Mr. Callahan, FHA Director for the Los Angeles area, says that the project is useful, but that he has no regulations under which he can implement them. Meanwhile, the project is running the risk of being abandoned by Equitable, and the prospect of industry-wide cooperation might soon become equally dim.

I am sending this report to you, because your public statements lead me to view your office as one of the open channels for rational action. You have also asked, on more than one occasion for ideas to solve our urban crisis. Here is one in the form of



MAIN OFFICE



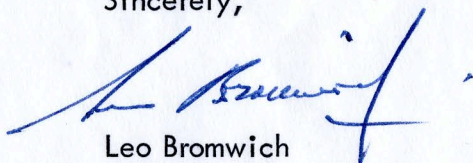
Mr. Pat Moynihan

Page 2

July 29, 1969

a pilot housing project. I wonder whether it might not merit your interest and your help.

Sincerely,

A handwritten signature in blue ink, appearing to read "Leo Bromwich", with a stylized flourish at the end.

Leo Bromwich
Legal Counsel
Government Housing Programs

LB/lr

enc.

TABLE 1

COMPARATIVE REHAB. COSTS

<u>Name</u>	<u>Appr. Value</u>	<u>Loan Bal.</u>	<u>Rehab. Equit. Plan</u>	<u>Rehab. FHA Review</u>	<u>Qualified for Subsidy</u>
Beason	\$12,500	\$ 8,210	\$6,500	\$7,500	No
Gray	13,000	6,915	1,645	7,500	Yes
Barnes	12,000	8,460	2,975	7,000	No
McBrier	13,000	5,370	1,375	5,500	No

TABLE 2

COMPARATIVE MONTHLY PAYMENTS*

<u>Name</u>	<u>Monthly Income</u>	<u>Family Members</u>	<u>Monthly Payments, including FHA Ins. & Taxes</u>		
			<u>Present Payments</u>	<u>Equitable Plan Payment</u>	<u>Payments pursuant to FHA Review</u>
Beason	\$ 625	3	\$ 115	(14,700)** \$ 135	(15,700) \$ 147
Gray	608	6	118	(8,500) 85	(14,400) 139
Barnes	875	4	110	(11,400) 100	(15,500) 140
McBrier	440	1	87	(6,750) 80	(10,870) 115

* Equitable plan payments are calculated at an interest rate of 7% (as originally proposed by the Association) and include 1/2% FHA insurance premium. Payments resulting from the FHA rehabilitation requirements under 221 (h) are estimated at the regular 7 1/2 interest rate. Not included in the latter payments are the costs allowable under the 221 (h) program which would increase the borrower's monthly payments by additional \$5 - \$10.

** Amounts in parentheses indicate the resulting mortgage loans under the two programs.

July 21, 1969

not by a program which holds for them the probability of sharply increased amortization costs.

I deeply regret the prospect of having to abandon the program on which we expended much thought and energy in the last few months. We would not have started it in the first place, but for the assurances we received that both the HUD and the FHA offices would view it as an experiment that would encourage administrative innovation and would permit flexible application of the existing rules.

Given such promised response, we hoped to show a way of possible cooperation between the private and public sectors in the task of essential rehabilitation of some 600,000 sub-standard properties in California--many of them in the core areas of our cities. I see now that we have underestimated the inhibitions imposed upon the local offices by the existing guidelines. Until a more flexible administrative framework is established, we shall have to discontinue putting into execution our plans for systematic rehabilitation of our properties with the aid of the government insured loans. We shall go on instead relying upon our own limited effort for the maintenance and necessary rehabilitation of the properties securing our loans.

Sincerely,

Charles A. Wellman

Charles A. Wellman
President

CAW/lr

cc: M. Schomer
R. Pitts
S. Phillips

bcc: E. MacFarland
A. Timmel
G. Edwards
C. Brewster
P. Harrington
B. Mitchell

July 21, 1969

EXHIBIT 5

Mr. Edward P. Callahan
Federal Housing Administration
312 West 5th Street
Los Angeles, California 90013

SUBJECT: EQUITABLE SAVINGS & LOAN'S PILOT PROJECT

Dear Mr. Callahan:

Mr. Brewster and Mr. Bromwich have informed me of the conference they had with members of your staff on July 8, 1969. I have also read your letter of July 8 on the NIP program addressed to Mr. Bromwich.

I appreciate the time you and your staff have devoted to appraising some of the properties in the NIP program and the rehabilitation estimates you have sent to us. After a careful study of these estimates I feel however that they cannot be fitted into the type of flexible program this Association envisaged, when—pursuant to our February and March conferences with Mr. Pitts and Mrs. Phillips—we decided to proceed with our pilot project.

A good case can perhaps be made for substantial rehabilitation of properties in some neighborhoods under Sec. 221 (h) of the Housing Act. Any such program would have to take into consideration the prevailing housing conditions; the needs of the residents of the area as conceived by the residents themselves; and finally the borrowers' capacity to shoulder the burden of the newly financed debt.

The "substantial rehabilitation" standards proposed for the NIP program will fail to meet any of the above criteria. As you can see from the enclosed tables (Table 2), in two out of four cases analyzed by your staff, the borrowers will have to pay roughly \$30 more per month than the amounts they are paying today. To this must be added the burden of junior liens, not mentioned in the 221 (h) estimates. We shall find it impossible to enlist the participation of our borrowers in a program involving considerably higher monthly payments, based upon a degree of rehabilitation they have not requested and imposing burdens they cannot sustain.

An exclusion from the program of four houses your staff finds unsuitable for rehabilitation will further diminish the impact NIP could make on a selected neighborhood. And this impact will be further reduced by the loss of interest in the program by three families, as reported in your letter. Their original interest could perhaps be re-awakened, but



MAIN OFFICE

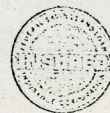




EXHIBIT 3

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION
312 West Fifth Street - Sixth Floor
Los Angeles, California 90013

OFFICE OF THE DIRECTOR

July 8, 1969

IN REPLY REFER TO:

Mr. Leo Bromiwich, Legal Counsel
Government Housing Programs
Equitable Savings & Loan Association
8150 Sunset Boulevard
Los Angeles, California 90046

Dear Mr. Bromiwich:

We have completed our work in connection with the eleven properties submitted to us by your association as a pilot project. We find that four of these properties would be feasible to rehabilitate. Our information and estimates on these four properties is attached.

It appears that four of these properties are not feasible to rehabilitate. These are the properties located at:

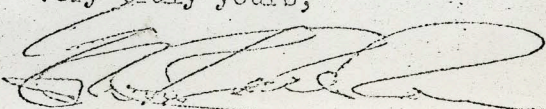
9722 Wilmington
9550 Beach
9623 Bandera
9323 Bandera

Certainly these properties could be rehabilitated, but the cost of proper rehabilitation would greatly exceed any increase in value that would be realized. Comments on one of these properties are enclosed.

There were three properties, 9610 Holmes, 9423 Holmes and 9224 Holmes; where the owner occupants informed our people they had no interest in having their home rehabilitated. For this reason, we have not made any comment or recommendations relative to rehabilitation of these properties.

This material was discussed in detail in our meeting today. We would suggest that you thoroughly review this material as a guideline of what needs to be done to properly rehabilitate properties of this type. We will appreciate receiving your comments concerning this review.

Very truly yours,


Edward P. Callahan
Director

WHW:pb

NAME REO#	ADDRESS	PROP. AGE TYPE	RENTAL PAY.	MO. INC.	FAM. MBS.	APPR.	BOOK VALUE	REHAB. COSTS	TAX. YRLY.
TEAGLES 2962	9532 Beach	45 SFR	80	386	11	6,500	7,178	1,532 +3,850(2)	218
THOMAS 2899	11127 Watts	20 SFR	80	340	10	10,000	13,185	1,198 +4,300(2)	247

NOTES

1. Taxes are an approximate figure, because this REO was assessed with REO #3240 and both totaled \$509.21
2. Requested additions to present dwellings.

5/16/69
Rev. 5/26/69

Exh. 2c

EXHIBIT 2c

REOR PROJECT
Sale to REO Renters

NAME REO#	ADDRESS	PROP. AGE TYPE	RENTAL PAY.	MO. INC.	FAM. MBRS.	APPR.	BOOK VALUE	REHAB. COSTS	TAX YRLY.
BAGBY 3465	1634 E. 118th	40 SFR	60	540	7	12,000	9,019	1,188 +2,900(2)	224
BEVINS 3039	1723 E. 85th	35 SFR	75	460	9	8,500	11,916	1,532 +2,800(2)	218
DOWNINGS 3175	2128 E. 123rd.	35 SFR	80	373	9	8,500	9,141	1,425 +4,500(2)	(1)254
EVANS 3021	347 E. 69th	55 SFR	95	300	6	8,500	9,777	2,173 +5,400(2)	248
FISHER 2964	2104 E. 105th	25 SFR	100	572	2	13,500	12,095	738	278
SHEEHEE 3507	7821 Towne	25 SFR	95	313	5	12,000	11,090	1,195 +2,900(2)	342

NAME LOAN #	ADDRESS	TERM	PROP. AGE TYPE	P&I	INT.	MO. INC.	FAM. MBRS.	OLD APPR.	NEW APPR.	LOAN BAL.	LIENS (orig.)	LIENS NEG. AMT.	REHAB. COSTS	TAX YRLY.
MALONE 2053632	807 East 81st.	15	45 SFR	.65	7.5	433	8	10,000	8,500	4,687	3,975 (rel)? 479 85		2,025	227
MARTINEZ 2293790	1308 E. 58th	18	65 SFR	78	7	850	6	10,500	13,000	6,772	1,975		1,575	128
STONES 2357704	419 S. Caswell	30	14 SFR	84 +44(i)	7	454	7	15,250	14,000	12,535	2,250		1,520 +1,145(6)	439
STOREY (3) 2364344	1030-32 E. 57th	20	50 2 UN	117	7	152	1	18,000	14,000	14,315	--		3,375	413
TOWNSEND 2097460	1150 E. 87th	18	35 SFR	66	6.5	720	5	9,500	12,500	5,929	1,450		1,125	120

NOTES

1. Temporary income for attending school (win program)
2. Lien placed by an insurance company -- no amount indicated
3. Sixty-two years old, or more
4. No information on Arnold (mother). She does not live at property, nor does she bear any expense for it.
5. Estimated per Social Worker
6. Additional cost for converting garage to den.

KEY

- i Impound payment
rel L. A. County Relief

5/16/69
Rev. 5/23/69

HARC PROJECT
HARDSHIP CASES

NAME IDAN #	ADDRESS	TERM	PROP. AGE TYPE	P&I	INT.	MO. INC.	FAM. MBRS.	OLD APPR.	NEW APPR.	LOAN BAL.	LIENS (orig)	LIENS NEG. AMT.	REHAB. COSTS	TAX YRLY.
DAILEY (3) 2253518	150 East 124	24	18 SFR	90 +65 (1)	6.5	190	2	13,500	13,000	10,945	2,055 1,156 386		870	305
BROWN 2244390	2729 W. Caldwell	24	17 SFR	83	6.5	221 (1) 90	4	15,000	21,500	10,400	303 2,275		725	527
BRYANT 2351218	543 W. 102nd.	20	40 SFR	83	6.75	240	1	13,500	14,500	9,315	648 362 (2) ?		895	192
ELLIS (3) 2357381	740 E. 101	25	21 SFR	76 +33 (1)	6.5	(5) 300	2	12,500	13,500	10,075	(rel)? 691		1,175	311
EVANS & ARNOLD 2259605	907 East 107	24	22	61	6.5	707 (4)	2	11,000	12,500	8,260	2,700 1,575 21		1,205	172
JACKSON 2378141	418, 1/2, 1/4 E. 84th	20	50 3 SFR's	118 +40 (1)	7	418	7	17,500	16,000	14,233	853 1,521		1,925	387

Exh. 2a
~~2a~~

N. I. P. PROJECT
R.E.O. PROPERTIES
(1st. Batch)

ADDRESS	REO #.	PROP. AGE	TYPE	APPR.	BK. VAL.	RESERVE	NET BOOK	TAXES DUE	TAX YRLY.
9424 Beach	3355		v.lot	3,500	6,736	--	6,736	78	157
10607 -09 Kalmia	2262	25	2 UN	14,000	14,846	--	14,846	187	375
1908 East 92nd	1746	10	8 UN	27,500	33,879.	11,779	22,100	514	1,029
9433-34 Wilmington*	3213		SFR (no val.)	3,500	5,254	--	5,254	120	240

dwelling will be demolished
5/13/69

NAME LOAN #	ADDRESS	TERM	PROP. AGE TYPE	P&I	INT.	MO. INC.	FAM. MBRS.	OLD APPR.	NEW APPR.	LOAN BAL.	LIENS (Bal)	LIENS NEG. AMT.	REHAB. COSTS	TAX YRLY.
WILBERT(a.o) WILBERT(bro) 45583	9224 Holmes	30	40 SFR	92 +41(i)	7	560	10	13,500	15,000	13,574	--		1,345 or 450	335

KEY

I - Impound Payment
a.o. Absentee Owner
T - Tenant
n.m. New Name
rel L. A. County Relief

NOTES

- 1 two of these units are unrentable and demolition is recommended
- 2 original amount listed, balance not available
- 3 lien against former owner (Richards)
- 4 applicant is 62 years old or over

* 2 of the units should be demolished

5/13/69

Rev. 5/26/69

NAME LOAN #	ADDRESS	TERM	PROP. AGE TYPE	P&I	INT.	MO. INC.	FAM. MBRS.	OLD APPR.	NEW APPR.	LOAN BAL.	LIENS (Bal)	LIENS NEG. AMT.	REHAB. COSTS	TAX YRLY.
MITCHELL 26600	9722 Wilmington	20	52 SFR	60	7.5	760	2	9,250	8,000	6,466	--		3,650	162
NEWMAN (4) 27132	9423 Holmes	20	55 SFR	73	7	450	2	11,000	10,950	7,362	705		650	282
STAFFORD (McCray- n.m.) 4446	9610 Homes	15	<u>20</u> <u>40</u> 2 UN	130	7.5	715	3	16,000	16,500	10,488	280		610	270
TURNER (4) 29561	9550 Beach	18	50 SFR	66	6.5	480	1	10,000	9,500	6,280	?(I.T)		650	208
USEDA 5973	9323 Bandera	15	43 SFR	64	7	750	9	10,000	8,000	3,444	(2) 800 ?(rel.)		2,480	175

N. I. P. PROJECT
OWNERS & OCCUPANTS INTERESTED
(1st. Batch)

NAME LOAN #	ADDRESS	TERM	PROP. AGE TYPE	P&I	INT.	MO. INC.	FAM. MBRS.	OLD APPR.	NEW APPR.	LOAN BAL.	LIENS (Bal)	LIENS NEG. AMT.	REHAB. COSTS	TAX YRLY
BARNES 34152	9611 Bandera	20	50 SFR	95	7	875	4	12,500	12,000	8,462	887 (2) 567		2,975	181
BEASON (Wheat) 29416	9219 Bandera	15	55 SFR	94	7	625	3	12,500	12,500	8,211	2,199. 705		6,500	258
GRAY 3393	9220 Bandera	15	60 *3 SFR	97	6.5	608	6	17,000	13,000 (+)	6,916	3,730 (3) 197		1,645	265
KOCHINSKY & HUGHES 4888	9623 Bandera	15	60 DUP	113 + 43(i)	7.5	386 680	2 5	13,050	6,000	6,978	1,438 435		2,570	401
MC DRIER (4) 6061	9325 Holmes	15	44 SFR	87	7	440	1	11,450	13,000	5,373	(2) 2,900		1,375	325

At both meetings, we discussed which of the various FHA insurance programs might be used in accomplishing the Association's goal of stabilizing the neighborhoods for the present residents.

From a preliminary evaluation of the information submitted, we believed that with consolidation of existing indebtedness and some write off, many of the present owner occupants could carry a 7 1/2% mortgage with a 30 year term without subsidy. It was our impression that the mortgage amounts submitted would be in the neighborhood of \$10,000 including the repair costs which would, in most cases, develop a housing expense considerably below that which they are now carrying. In those instances, financing under Section 203(b) or 221(d)(2) appears suitable.

C. L.
(H. L. W. L.)
3-21-79

For some of the lower income homeowners Section 235(j) insurance with interest assistance payments would be necessary. This would require a nonprofit sponsor. This program permits acquisition by the nonprofit for purposes of rehabilitation and resale to the original homeowner.

In all cases, we agreed that a nonprofit organization with good communication lines into the area would be necessary if the program was to move forward successfully. The residents of the area appear to be suspicious at best and openly hostile in many instances. Too many programs have been announced with little tangible results.

The Association was acutely aware of the problems entailed in developing the information from owner occupants necessary for the pilot submission. The initial discussion enumerated some of these problems. Owner occupants could have major disagreements as to the level of rehabilitation or whether they wish to make any repairs at all; and if they were prepared to proceed with the repair, how they would contract for it. Accurate information on income and family size appears to be difficult to obtain.

The Association stated that they would have the personnel necessary to develop a pilot submission and they were prepared to refinance any of the owner occupant homes submitted in the pilot submission if for some reason an FHA insurance program would not be available.

Mrs. McFarland of Mr. Pitts' staff indicated that she would forward the names of possible interviewers and an evaluation of existing nonprofit sponsors in the area.

Sybil Phillips

Raven/Phillips:hh

cc: Docket

Charles Wellman

Equitable Savings & Loan

Chrono

insurance. Mr. Phillips outlined a tentative proposal for a pilot program which would be subject to modification by the Association.

1. Pilot program would be submitted by the Association of at least 20 cases and not more than 50. The properties are to be in as close proximity as possible so as to create an impact on the area.
2. Application shall include a complete itemized list of the repairs to be made to the property and estimated repair costs. All properties shall be repaired to an acceptable structure and a weather tight condition, termite proofed, code approval of plumbing, electrical and heating and of a quality commensurate with the neighborhood.
3. The Savings and Loan shall assist in obtaining proper tax rates and equalized assessed values for all the cases.
4. The Savings and Loan shall negotiate and clear all liens, judgments, etc., against the properties as at time of insurance there shall be no other outstanding indebtedness.
5. The Savings and Loan shall assume all the FHA fees, title costs, legal charges, etc., and the mortgage interest rate shall not exceed 7% plus LHP and where the present loan rate is less it shall so remain. Applications will be made on FHA Form 2360 and 2900.
6. The Savings and Loan will submit our regular required data on the mortgagor.
7. FHA will appraise the properties and ascribe value predicted on the proposed repairs and rehabilitation. Additional consideration for current values (beyond comparables) will be typical incomes in the area and the housing expense these incomes can support.
8. FHA will determine the most feasible section of the Housing Act for each case.
9. FHA will be "open minded" in approving the present owners as mortgagors when processing the credit aspects. We will need approval to accept the mortgagors on a recase, reduced mortgage without the mortgagor using any of their funds as equity for closing costs. Therefore, the values established must be the insurable mortgage amount. Generally if the present owner has a past record of prompt mortgage payments they can be considered eligible, especially since they will have a better quality property and reduced payments.
10. FHA suggested the Savings & Loan submit one of the four flat buildings with a plan to remodel to a duplex and eventual sale to an owner occupant.

(Please excuse the illegibility of this copy. We have no original from which to press a clear copy. J. H. B. Mr. Schomer's office has a clear copy of it.)

Horace W. Schomer

March 11, 1969

Sybil Phillips

Trip to Los Angeles on Savings & Loan Properties
March 3 to March 6

A meeting was held in the offices of the Equitable Savings and Loan at 8101 Sunset Boulevard, Beverly Hills, California, on March 3, 1969. Present at the meeting were:

1. Charles Wellman - President
2. Charles Kruttschnitt - Sr. Vice President - Real Estate Owned
3. George Edwards - Sr. Vice President - Loans
4. Joe Monoschke - Real Estate Owned Officer
5. Leo Bromwich - Legal Counsel - Government Housing Programs
6. Alfred Raven - FHA
7. Sybil Phillips - FHA

Mr. Wellman stated an inventory of just over 5,000 properties were assigned their organization from the assets of the Van Nuys Savings & Loan, and Lytton Savings & Loan. He acknowledged these properties were all severe problems. Mortgage servicing is so complicated and time consuming there is no cash flow. He stated the appraisals at time of mortgage were of no value. He advised the properties were encumbered with all types of additional liens. He stated some cases had such exorbitant fees for late charges that no equity was ever credited to the homeowner. Late charges are from 2% to 25%. They developed a random selection of 45 properties (list attached) which was believed may be typical of the portfolio.

A field inspection of the majority of the 45 cases was made by Leo Bromwich, Tom Armstrong, Al Raven and Sybil Phillips. It is apparent the original value ascribed is meaningless. There is no consistency in any of the "numbers" on the lists. All locations have complete street improvements. The properties in the areas are heterogeneous with a moderate percentage having exterior appearance of acceptable maintenance and grade of ownership. One to two percent of the lots are vacant, generally due to the house being condemned and removed. Sales prices of lots are at whatever can be negotiated stated at from \$2,000 to \$6,500 with a typical average of \$4,000.

On the morning of March 4, 1969, a follow-up meeting was held at the Equitable Savings & Loan offices which included Mr. Robert Fitts, Regional Administrator for HUD, and Mrs. McFarland from his staff. Discussions of the properties field reviewed were held which was useful only to acquaint the Savings and Loan Officials of our requirements as to the quality of housing we required.

MAR 17 1969

PRESIDENTS OFFICE

EXHIBIT 1

March 12, 1969

IN REPLY REFER TO:

Mr. Charles Wellman
President
Equitable Savings and Loan
8101 Sunset Boulevard
Beverly Hills, California

Dear Mr. Wellman:

Mrs. Sybil Phillips has outlined to me your proposal for developing a mechanism that hopefully will contribute to the stabilization of the Greater Watts Area.

I believe that a joint review of the pilot project as outlined in Mrs. Phillips' report would be extremely useful in developing a viable program.

As soon as the pilot project is ready, I would appreciate it if you would forward it to Mr. Robert B. Pitts, Regional Administrator for HUD, who will arrange for the appropriate review team. Mr. Pitts' address is 450 Golden Gate Avenue, P. O. Box 36086, San Francisco 94102.

For your information and guidance, I am enclosing a copy of Mrs. Phillips' report.

Sincerely yours,

Morton W. Schomer
Morton W. Schomer
Assistant Commissioner
for Multifamily Housing

Enclosure

to bring these programs into effective play. An increment of risk there will remain. The industry's willingness to bear its share of such risk will have to be demonstrated by its allocation of funds for the rehabilitation of properties in these areas. An effective housing program will depend on the government's willingness to underwrite a portion of such risk by laying down workable rules with respect to required rehabilitation.

2. Modification of Substantive Rules

Instead of adopting the concept of "substantial rehabilitation" under 221 (h), HUD and FHA would do well to consider the immediate and long term advantages that might accrue to the area if they require "reasonable" or essential" rehabilitation of subject properties--the type of rehabilitation that would require an expenditure of roughly one fourth to one third of rehabilitation costs under a "substantial rehabilitation program." Such standard of rehabilitation would assure improved level of property maintenance for a period of 7 to 10 years. A resulting property improvement program could mesh well with the government rehabilitation program under Sec. 312 and 115 of the Housing Act, with its provision of low interest loans and rehabilitation grants to low income families. The Association's program will thus be on stage in a rehabilitation process to which contributions will be made by both the private and the public sectors of the economy.

3. Modification of Procedural Rules

Any workable program that looks forward to processing several hundred rather than a few score properties per year, will have to rely on accelerated methods of FHA review. This could be achieved by using a team of appraisers, by borrowing appraisers from the Veterans Administration (an arrangement now contemplated by FHA) and perhaps by using a random sampling technique in appraisal and in the review of rehabilitation estimates of properties submitted for rehabilitation. Clearing up the procedural forest of time consuming formalities may be as important to the future success of the program as the changes in substantive rules.

that the program was impractical and that more flexible approach was needed. He asked Mr. Bromwich to send him a letter explaining our dissatisfaction with the program and reasons for it. Mr. Bromwich stated that the letter was on its way and that Mr. Callahan would receive it early the following week. Before parting Mr. Callahan stated that he saw the need for a more flexible program and he had no objection to such a program, if he receives appropriate orders from Washington.

IX. EQUITABLE'S PROJECT: An Overall View

1. Public Policy Aspects

Equitable's program is one of the few programs on the local or national scenes that promises to engage the private sector in large scale maintenance work to improve the existing housing stock in our urban areas. Sec. 312 of the National Housing Act is attempting the same task, but its present funding is woefully inadequate to do the required job. The 1969-1970 appropriations for Sec. 312 is only \$56,000,000. Given an average loan of \$3,000 the total appropriation is sufficient to fund the rehabilitation work of only 20,000 family units per year for the entire country, or less than 2,000 for the entire state of California.

A flexible administrative approach by contrast, would enable Equitable alone to undertake the rehabilitation of 300 to 500 houses a year. Equitable's assets constitute only 3% of the total assets of the entire industry. If Equitable's example is followed by the industry, it is not unrealistic to expect the latter to rehabilitate between 3,000 and 5,000 houses per year. If banks and insurance companies were to follow, their joint efforts could result in the doubling of the above figure. We could thus have a program for rehabilitation of between 6,000 and 10,000 units of the existing housing stock per year, with no direct expenditure of funds by the Federal government.

FHA's fear seems to be that it might become an insurer of a large portion of foreclosed properties in the "ghetto areas." This fear must be squarely faced. One cannot deny, of course, that there is greater risk involved in the underwriting of loans in marginal areas. But the foreclosure rate on properties in this area is only two or three per cent higher than the state total. Even this difference can be reduced through proper loan servicing, and through the gradual application of subsidy programs, as funds become available

Association's pilot project. If such effective application could not be made, HUD and the Association could decide what ought to be done next.

VI. FHA 221 (h) ESTIMATES (July 8, 1969)

In the ensuing five week period the FHA staff confined its review exclusively to the NIP cases.

On July 8, 1969, Mr. Brewster and Mr. Bromwich had a conference with Harold Warwick, FHA Chief Underwriter in the Los Angeles area. Warwick presented us with a data list of "rehabilitation estimates" under 221 (h) program. The average estimate for the four properties that were fully reviewed was \$7,000. Four properties were found by FHA to be unrehabitable. The families in three other properties told the FHA appraisers that they were no longer interested in the program (See Exhibit 3, Callahan's letter, July 8, 1969).

VII. CONFERENCE WITH CALLAHAN---July 15, 1969

After analyzing FHA estimates we have prepared two tables showing that the 221 (h) rehabilitation scheme is not likely to be accepted by the Association's borrowers, since in two out of four reviewed cases it increased their monthly payments to the Association by more than \$30 (see Exhibit 4).

Mr. Bromwich took this question up with Mr. Callahan in a conference held at the FHA offices on July 15, 1969. Mr. Bromwich told Mr. Callahan of the impracticability of applying the rigid standards of a Sec. 221 (h) to cases of rehabilitation in the Watts area. Mr. Bromwich pointed out that Sec. 221 (h) was designed to serve the needs of new owners, and the "substantial rehabilitation" requirement was there to safeguard complete rehabilitation of the properties prior to sale. Mr. Callahan was shown Tables 1 and 2 of the attachments to our July 21 letter enclosed below as Exhibit 5, he was told that it would be impossible for Equitable to go back to the NIP families and tell them that their monthly payments would be increased \$30 - \$40 per month for the high privilege of substantial rehabilitation of their properties. Callahan agreed.

In the course of working on NIP, two other programs were developed by the Association's staff and verbally approved for presentation by Mrs. Phillips and Mr. Pitts. One of these programs (HARC) included "hardship cases" involving borrowers who for reasons of illness, unemployment or low income were periodically falling behind in their payments. The second program included properties owned by the Association and rented out to families who expressed interest in buying the property under the subsidy provisions of Sec. 235, or leasing it under Sec. 23 of the Housing Act. The detailed information on the occupants of the properties included in the three programs presented for examination to the local FHA offices on May 16, 1969. Duplicate copies were sent to the HUD offices in Washington (Mrs. Phillips) and to Mr. Pitts' offices in San Francisco. In its final form the pilot project included:

1. NIP--Neighborhood Improvement Program -- 19 units
2. HARC -- Hardship cases (11 families)
3. REOR -- Long Term leases of REO properties (8 cases)

(See Exhibits 2 a, 2 b, 2 c).

V. HUD'S CHANGE OF POSITION: The May 27 Conference

The conference to examine the Association's programs and attended by HUD representatives from Washington and San Francisco and by Director of the FHA Los Angeles office, Ed Callahan, was held at the Association's offices on May 27, 1969.

It quickly became apparent that we were no longer dealing with the formula embodied in Mrs. Phillips' March memorandum. Instead of telling us what programs could be used or "stretched" to fit the cases before us, we were told that we would have to be guided by the "substantial rehabilitation" provisions of Sec. 221 (h) if we wanted to qualify the NIP properties for government insurance. After some discussion Mr. Timmel, FHA's Regional Director, suggested that the NIP properties should be first examined in detail by the FHA Los Angeles staff. Based on the estimates provided by such review a decision could be taken whether Sec. 221 (h) standards could be effectively applied to serve the needs of the families included in the _____

a radical refinancing of the existing loans in the area on terms fitting the level of income prevailing in the area. He proposed therefore that the Association would:

1. Undertake the refinancing of its loans in South East Los Angeles at 7% per annum, or at the interest rate of the original note, if that rate was below 7%.
2. Make an attempt to buy junior liens, which often become a heavy burden to the borrowers and creates conditions leading to foreclosure.
3. Examine closely the real estate taxes paid by the individual borrowers and to renegotiate down the taxes not based on the properly assessed property values.

(see Exhibit 1)
Mr. Wellman's proposals and HUD stipulations were embodied in a memorandum prepared by Mrs. Phillips on March 3, 1969. HUD's terms were that Equitable should undertake the rehabilitation of between 20 and 50 properties along the lines suggested by Mr. Wellman. To secure a greater impact these properties were to be selected within the confines of a few adjacent streets, preferably in Watts. HUD was to be "open minded" with respect to the borrower's credit. Verbal assurances were given to Equitable's management that it should not concern itself with particular program under which the properties or the borrowers might qualify for the loan. The fitting of particular programs was to be determined by HUD, and flexibility was promised in adjusting programs to individual cases.

IV. PILOT PROJECT: DEVELOPMENT AND PROGRESS (March - May 1969)

Following the suggestions of the HUD memorandum of March 3, 1969 the Association proceeded to organize its pilot project. It sent a team of interviewers to a neighborhood area in Watts, where forty dwellings were selected for its Neighborhood Improvement Program (NIP). The interviewing of individual families quickly disclosed the fact that about 50% of the properties first selected for coverage were absentee owned. Close to one half of the remaining twenty borrowers were not interested in the program. As a result the NIP program, in its final form consisted of 11 single family units; one two-family unit; one four-family unit; and two vacant lots.

② servicing department to forego foreclosure in cases when a borrower is in temporary difficulties which can be cured by the passage of time. On an individual basis it has
③ experimented with the extension of the loan term. On occasion it purchased junior
④ liens to alleviate financial pressure against some of its borrowers.

While better servicing could no doubt improve the Association's posture vis-a-vis its borrowers, there remained the problem of physical maintenance of their properties by families who have no excess funds and who would generally experience difficulty in obtaining loans for the improvement of their dwellings. In discussing the possible uses that can be made in this connection of the 1968 Housing Act, the management of the Association decided to furnish rehabilitation funds and offer systematic financial assistance to its borrowers if this could be made a part of the general scheme that would place these properties under government insured programs.

III. EQUITABLE'S REHABILITATION PLAN (February - March 1969)

A meeting to discuss the Association's plan was held on February 13, 1969 at the Equitable's offices, at 8150 Sunset Boulevard, Los Angeles. This meeting was attended by HUD'S Regional Director Robert Pitts.

In the course of the meeting Mr. Charles A. Wellman proposed to put the resources of the Association behind the work of rehabilitation of residential properties securing its loans, provided that such loans could be brought under the government insured programs. Mr. Pitts thought that the proposal had great merit and that a special program could be devised to provide for swift and efficient execution of Equitable's plan. A week later Mr. Pitts flew to Washington and recommended prompt initiation of Equitable's pilot project to the HUD and FHA officials there.

Washington's response was to send Mrs. Phillips and Mr. Raven to Los Angeles to discuss with Equitable's management the details of the pilot project. At the conference held on March 3, 1969, Mr. Wellman stated to Mrs. Phillips the Association's plan was to go beyond mere rehabilitation of the houses. Mr. Wellman felt that the need was for

EQUITABLE'S PILOT PROJECT (A Sequence of Events)

I. ECONOMIC BACKGROUND

Rehabilitation of residential dwellings is an important facet of the housing problem. It is a national and a state problem, and it is also a problem that affects the inner core of our cities. The most recent study by the Brookings Institute gives 6.9 million as a total number of substandard units this country will have in 1970. The number of substandard units in California will in the same year, be somewhere between 600,000 and 700,000. No recent estimates are available of the total number of substandard units within our cities. But the magnitude of the task before us may be glimpsed from the fact that there are over 150,000 deteriorating or dilapidated units in the city of Los Angeles at the time of the last census, and that during the intervening period the work of rehabilitation has not always kept pace with the processes of deterioration and decay.

The need of housing rehabilitation is felt with particularly urgency in the areas of residence of the minority group families. Out of 150,000 housing units in this city classified substandard in 1960 more than 50,000 were occupied by the Negro families or families with Spanish sur-names. There are indications on all sides that this relationship will not change significantly by 1970. By the end of the decade the minority families will continue to occupy close to 30% of the currently substandard housing stock.

II. EQUITABLE'S POLICIES FOLLOWING THE MERGER

Equitable Savings merged with Lytton Savings and Loan at the end of 1968.

The merger made Equitable a holder of some 5,000 loans secured by the properties owned or occupied by the minority group families. Close to 80 % of these loans had been placed in the South East Los Angeles area, including Watts. A study of these loans, which the management undertook after the merger, indicated that a great deal can be done through a more intelligent servicing of the existing portfolio. The Association lowered the high level penalty payments imposed upon its borrowers' by Lytton. It has instructed its loan

GENERAL

August 19, 1969

FI5-6-1

FI8

FI2

TR22

Dear Senator Javits:

Thank you for making available to the President the entire text of the telegram, co-signed by Senator Pell, to all bank clearing houses alerting them to the immediacy of enactment of S. 2721, the Emergency Insured Student Loan Act of 1969, and urging that student emergency loans be granted on this basis.

So that the President will be acquainted with the full text of your message, we have forwarded the wire to San Clemente. Also, it will be interesting to note the response you receive to your telegram from the banking community.

With cordial regard,

Sincerely,

Eugene S. Cowen
Special Assistant
to the President

Honorable Jacob K. Javits^X
United States Senate
Washington, D. C.

SEN. CLAUDE^X PELL

bcc: w/incoming to TREASURY DEPT (Jim Smith) - FYI
bcc: w/incoming to BOB - FYI

ESC:VO:EF:kyh - 2

green copies used for name file

RECEIVED
AUG 20 1969
CENTRAL FILES

August 21, 1969

Dear Mr. Murphy:

On behalf of the President, I would like to thank you for your recent letter concerning the efforts of savings banks in providing housing for low income Americans. Your efforts in this very important field are greatly appreciated, as is your thoughtfulness in sending along the most recent statistics.

With the President's best wishes,

Sincerely,

Christopher DeMuth
Staff Assistant to the President

Mr. Austin S. Murphy
Executive Vice President
Savings Banks Association of
New York State
200 Park Avenue
New York, New York 10017

3
GENERAL

fyel
August 23, 1969

FI 9

F04-1

FI 2

FI 8

Mr. Louis F. ^xPolk
President
^xMetro Goldwyn-Mayer
1350 Avenue of the Americas
New York, New York

Dear Bo:

Come on now Bo! You can't be serious in that pompous wire about foreign bank borrowings. I don't think there should be a "lessening of ambition" and am happy to say have never noticed any "lessening" on the part of my friend, Bo Polk. As to whether it is too much to ask that there be a lessening of greed, it certainly is too much to ask that your government undertake to legislate against this human trait.

With regard to Mr. ^{Kirk}Kerkorian's borrowing overseas, I share your wish that he had not done so, or perhaps we wish it for different reasons. But to suggest that the government should all of a sudden legislate against this kind of borrowing when we have already stated that we believe in a free flow of capital is asking too much.

I'll circulate your wire around the Administration if you wish, but somehow I think if you reflect you will agree I am serving your reputation by just keeping it for future guffaws between you and me.

Sincerely,

Peter M. Flanigan

c.c. to:
Nicholas F. Brady w/incoming

RECEIVED
SEP 2 1969
CENTRAL FILES

ms
01/

THE WHITE HOUSE OFFICE

REFERRAL

GENERAL (2)

FI 2

To: The Secretary of the Treasury

Date: September 2, 1969

ACTION REQUESTED

- ☐ Draft reply for:
☐ President's signature.
☐ Undersigned's signature.
- ☐ Memorandum for use as enclosure to reply.
- ☐ Direct reply.
☐ Furnish information copy.
- ☒ Suitable acknowledgment or other appropriate handling.
☐ Furnish copy of reply, if any.
- ☐ For your information.
- ☐ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description:

Letter: ☒ Telegram: ☐ Other: ☐

To: The President
From: Charles L. Archer, Jr., President, Utah Association of Independent Insurance
Date: 8/27/69 Agents, 550 E. 4th South, Salt Lake City, Utah
Subject: Oppose passage of H. R. 6778, one bank holding company bill -- charge Administration favoritism.

By direction of the President:

Noble M. Melencamp
Staff Assistant
to the President

RECEIVED
SEP 3 1969
CENTRAL FILES

rah -2

The White House
Washington

WA034 (HN) DN NL PDF 10 EXTRA 1969 AUG 28 AM 4 21

SALT LAKE CITY UTAH 27

THE PRESIDENT

THE WHITE HOUSE

THE ENTIRE MEMBERSHIP OF THE UTAH ASSOCIATION OF INDEPENDENT
INSURANCE AGENTS IN SESSION THIS DATE WISHES TO INFORM YOU THAT
3 WE ARE ALARMED AND EXTREMELY ANGERED OVER THE OBVIOUS
FAVORITISM YOUR ADMINISTRATION IS SHOWING BANKERS IN CONNECTION
WITH HR6778 ONE BANK HOLDING COMPANY BILL AND URGE YOU TO PERSONALLY
2 SEE THAT THIS BILL IS NOT PASSED AS PRESENTLY WRITTEN. WE URGE YOUR

ADMINISTRATION TO RECONSIDER THE GRANDFATHER CLAUSE DATE OF
FEB. 17 1969 WHICH WOULD PERMIT ANY BANKS OWNING INSURANCE AGENCIES
PRIOR TO THAT DATE TO OPERATE THEM. WE FEEL THAT A MORE
PROPER DATE WOULD BE JAN 1 1965 BECAUSE THIS DATE^E WOULD
CASE ABOUT 130 OF THE BIGGEST BANK HOLDING COMPANIES TO DIVERT
THEMSELVES OF THE LOCAL INSURANCE AGENCIES THEY HAVE RUSHED
3 INTO BUYING OR ESTABLISHING BEFORE CONGRESS COULD CLOSE A PROPER
AND FIRM REGULATORY DOOR

CHARLES L ARCHER JR PRESIDENT 550 EAST 4 SOUTH SUITE 12
2 SALT LAKE 84102.

September 4, 1969

Dear Mr. Liu:

In the absence of Miss Woods from the office, I wish to acknowledge and thank you for your letter of August 19.

With reference to your request for suggestions regarding an attorney in New York City, I would like to suggest that you contact the American Bar Association, at 1705 DeSales Street, N. W., Washington, D. C. (telephone: 659-1330). This organization will be most helpful, I know, in referring you to competent attorneys in the New York area. As I am sure you will understand, it would not be appropriate for Miss Woods, as a member of the White House Staff, to make such a recommendation to you.

Miss Woods, I am sure, will be pleased to learn that you are getting settled in your new home in Arlington, and I will bring your letter to her attention upon her return to the office next week.

With best wishes,

Sincerely,

Mary Fenton
Staff of
Rose Mary Woods

Mr. Snowpine^X Liu
J-529
1021 Arlington Boulevard
Arlington, Virginia 22209

maf:s

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SEP 15 1969
CENTRAL FILES

THE WHITE HOUSE
WASHINGTON

Mary

Ans. in my absence
& suggest reach
the Bar Association
as I, from the W. H.,
could not recommend
an attorney.

Thanks Rose
9/2/69

August 19, 1969
J-529, 1021 Arlington Blvd.
Arlington, Virginia 22209
Tel: 522-8353

Miss Rose Mary Woods
The Summer White House
San Clemente, California

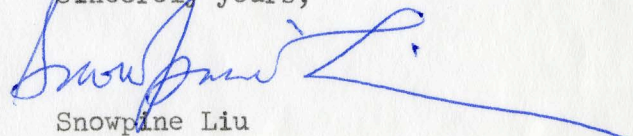
Dear Miss Woods:

Thank you very much for your kind introduction to Mr. Reed J. Irvine in Federal Reserve System. Through his introduction, I had the pleasure of meeting Mr. Alexander R. Billington, the deputy superintendent of Banks, New York State Banking department. We discussed my bank's interest in opening a branch office in New York City.

He advised me that I should find a capable lawyer who can help us prepare all the necessary documents to secure the required license. As a stranger in this country, I do not know anyone in this field. I would be deeply appreciative if you could kindly recommend to me a good lawyer in New York.

I express my sincere thanks to you and President Nixon for all the help given to me. My best wishes to you, the President and his family.

Sincerely yours,



Snowpine Liu

P.S. I moved to an apartment last week. I am learning the American way of life little by little. We miss you here and looking forward to hear from you.

GENERAL

FI2

00 63

ED2

1288(2)

August 14, 1969

Dear Mr. *Lui*:

Miss Woods has asked me to reply to your letter to her of August 3.

The appropriate authority to approach concerning the establishment of a branch bank will vary with the nature of the banking business which you plan to undertake. Some banking activities do not require any Federal Governmental authority, and are carried on under state laws. Other activities are supervised either by the Federal Reserve Board or by the Comptroller of the Currency.

For expert guidance on the question of setting up a branch bank, I suggest that you be in touch with the Banking Division of the Federal Reserve Board.

Sincerely,

LG

Lindsey Grant
Staff Member

Mr. Snowpine **Lui (Lui*)*
1201 Arlington Boulevard
Arlington Towers, T-529
Arlington, Virginia 22209

** NIXON LIBRARY*

LG:pas:8/14/69

Reproduced at the Richard Nixon Library and Museum

RECEIVED
AUG 15 1969
CENTRAL FILES

copy of handwritten letter

Aug. 3rd, 1969

Miss Rose Mary Woods
The White House
Washington, D. C.

Dear Miss Woods:

Our general manager of our bank came to visit United States last week and asking me to stay in this country for sometime as his letter says: It is a pleasure to appoint Mr. Snowpine Lui the manager of public relations, one of the outstanding employees of our bank as an overseas representative of Liu Chong Hing Bank, Ltd., H. K.

I have been in connection with Nixon Library for more than 15 years. I agreed that this library is going to move to City Hall of Quien Long, N J, Hong Kong. I only hope that you can inform President Nixon as I will devoted myself in our bank business. We plan to open the branch bank either in San Francisco or New York that is only hope you can help me during my stay in this country.

Please let me know what is the procedure I should follow and let the branch bank can be opened without any trouble. I stay in Holiday Inn, of Washington, D. C., Key Bridge, 1850 N. Ft. Myer Drive, Arlington, Virginia 22009. After 15th of August I will move to 1201 Arlington Boulevard, T-529, Arlington Towers, Arlington, Virginia, 22209.

I certainly hope that you realize I have been in connection with Nixon Library more than 15 years. That is only hope you can forward my words to President Nixon. Our general manager is willing to invest 5 hundred million dollars U. S. money for the capital.

Please let me know about my request and hoping you the best wishes,

Yours very sincerely,

SNOWPINE LUI

P. S.

My telephone

522-0400
ext 824

1288

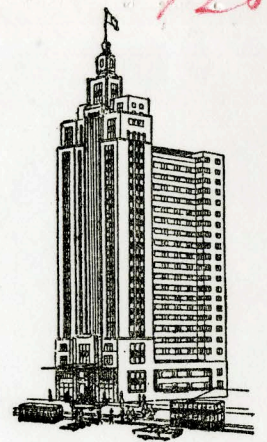
廖創興銀行有限公司

Liu Chong Hing Bank, Ltd.

TELEPHONE
229011

CABLE ADDRESS:
"LIUCHBANK"

(INC. IN HONG KONG)
香港德輔道中二十四號
24, DES VOEUX ROAD, CENTRAL.
P. O. BOX 2535
HONG KONG



Aug. 3rd, 1969

Miss Rose Mary Woods.

The White House

Washington, D.C.

Mrs. Miss Woods.

Our General manager of our bank came to visit United States last week and asking me to stay in this country for sometime. As his letter says: It is a pleasure to appoint Mr. Samson Lim, the manager of Public relation, one of the outstanding employees of our bank as an overseas representative of Liu Chong Hing Bank, LTD. H.K.

I have been in connection with Nixon Library for more than 15 years. I agreed that this library is going to move to City Hall of Queen Hong N.T. Hongkong. I only hope that you can inform President Nixon and I will devoted myself in our bank business. We plan to open the branch bank either in San Francisco or New York that is only hope you can help me during my stay in this country.

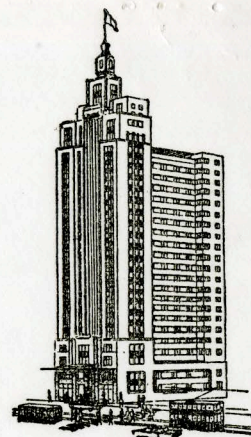
Please let me know what is the procedure I should follow and let the branch Bank can be opened

TELEPHONE
229011

CABLE ADDRESS:
"LIUCHBANK"

廖創興銀行有限公司
Liu Chong Hing Bank, Ltd.

(INC. IN HONG KONG)
香港德輔道中二十四號
24, DES VOEUX ROAD, CENTRAL.
P. O. BOX 2535
HONG KONG



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D.C. Key bridge, 1850 N. ft. myer Drive, Arlington, Virginia
22209. After 15th of august I will move to 1201 Arlington Blvd
T-529 Arlington Towers, Arlington, Virginia 22209.

I certainly hope that you realize I have been
in connection with Nixon Library more than 15 years. That
is only hope you can forward my words to. President Nixon
our General manager is willing to invest 5 hundred million
dollars U.S. money for the Capitol.

Please let me know about my request
and hoping you the best wishes,

Yours very sincerely,

Swupine Lai

P.S.

My Telephone:

522-0400

ext-824



File

PRESTON MARTIN
CHAIRMAN

FEDERAL HOME LOAN BANK BOARD

WASHINGTON, D. C. 20552

101 INDIANA AVENUE, N. W.

GENERAL

FI 2

FEDERAL HOME LOAN BANK SYSTEM
FEDERAL SAVINGS AND LOAN
INSURANCE CORPORATION
FEDERAL SAVINGS AND LOAN SYSTEM

SEP 5 1969

Mr. Nealon Stracener, President
Guaranty Federal Savings and
Loan Association
Istrouma Station
Post Office Box 53098
Baton Rouge, Louisiana 70805

Dear Mr. Stracener:

This is in response to your letter of August 29, 1969 to President Nixon with respect to the progress of the branch office application of the Guaranty Federal Savings and Loan Association.

I have looked into the matter and found that the Office of Applications mailed to you on August 28, 1969 a copy of Board Resolution No. 23,303, dated August 22, 1969, disapproving the application for a branch office by reason of insufficient evidence of its probable usefulness and success.

There are many factors involved in an application of this type, including the relative size and operations of each association in the area, the many community characteristics described in the application, and the evidence of a present or immediate future community need for the proposed office. All of these factors must be considered most carefully by the Board in the discharge of its overall responsibility to the savings and loan industry. Let me assure you that the Board thoroughly weighed all of these factors in arriving at its decision.

Sincerely,

Preston Martin

Preston Martin

cc: FHLB of Little Rock ✓
Mr. Noble M. Melencamp ✓
Staff Assistant to the President
The White House
Washington, D. C. 20500

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SEP 8 1969
CENTRAL FILES

THE WHITE HOUSE OFFICE

FI 2

REFERRAL

To: Chairman
Federal Home Loan Bank Board

Date: September 2, 1969

ACTION REQUESTED

- ☐ Draft reply for:
☐ President's signature.
☐ Undersigned's signature.

☐ Memorandum for use as enclosure to reply.

☒ Direct reply.
☒ Furnish information copy.

☐ Suitable acknowledgment or other appropriate handling.
☐ Furnish copy of reply, if any.
☐ For your information.
☐ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description:

☒ Letter: _____ Telegram: _____ Other: _____
 To: The President
 From: Nealon Stracener, President, Guaranty Federal Savings & Loan Association
 Date: 8/29/69 of Baton Rouge, PO Box 53098, Baton Rouge, La.
 Subject: Asks President's help expedite their application for permission open branch office.

By direction of the President:


 Noble M. Melencamp
 Staff Assistant
 to the President

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SEP 4 1969

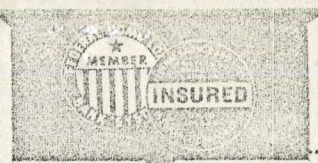
CHAIRMAN
F.H.L.B.B.

rah

FHLBB

Guaranty Federal

P. O. BOX 53098 • ISTROUMA STATION • 356-2441 • BATON ROUGE LOUISIANA 70805



SAVINGS & LOAN
ASSOCIATION
OF BATON ROUGE

August 29, 1969

Mr. President
The White House
Washington, D. C.

H
My Dear Mr. President:

You once expressed appreciation to me as Louisiana Sixth District Republican chairman for my efforts on your behalf and on behalf of the Republican Party.

Now, I find it necessary to hope that, maybe, someone on your staff will be able to help me.

For months, my savings and loan association's application for permission to open a branch office has been on someone's desk at the Federal Home Loan Bank Board, and we have been unable to get any action. The association is completely prepared to open the proposed branch - the office is completed, furniture and equipment ready for immediate installation and personnel trained.

We believe there is absolutely no question as to the association having met all requirements; yet we can't get an answer - either yes or no.

In complete desperation and as a final resort, I appeal to you to see who or what is responsible for this intolerable delay in securing action on our application.

Sincerely,

GUARANTY FEDERAL SAVINGS AND
LOAN ASSOCIATION

Nealon Stracener
Nealon Stracener, President

NS:am

"Where People Mean More Than Money"

GENERAL

FI 2

September 11, 1969

ffp/0P
Dear Mr. ^xCundiff: *William V.*

Miss Rose Mary Woods has asked me to reply to your August 16 letter concerning Administration proposals relating to one bank holding companies. You may be sure that the President is deeply concerned with the interests of local insurance agents and he has not proposed anything intended to hurt them.

The proposed legislation does not deal at all with banks engaging in the insurance business or acting as insurance agents. It deals only with what corporations which own banks, i.e., bank holding companies, may themselves do or do through subsidiaries other than banks. Under present law registered bank holding companies, those owning two or more banks, may engage in activities which are of an insurance nature to the extent permitted by the Board of Governors of the Federal Reserve System which must determine that the particular activities are so closely related to the business of banking as to be a proper incident thereto. However, existing law does not control the activities of bank holding companies which own one bank and so far as federal law is concerned they are free to engage at the present time in any activities including those of an insurance nature.

The Administration proposal is designed to place restrictions on the activities of such one bank holding companies. The restrictions proposed by the Administration were in general terms only and, although different, were not regarded as being more liberal than those presently imposed on registered bank holding companies. As you know, the House Committee on Banking and Currency amended this legislation to restrict the insurance activities of bank holding companies to credit life and credit accident and health only. It is believed that this is acceptable to the insurance agents.

^xCUNDIFF AGENCY

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SEP 16 1969
CENTRAL FILES

There is misunderstanding also concerning the Grandfather clause. This has nothing to do with the activities of banks. It has to do only with the activities of bank holding companies. Questions relating to the activities of banks are completely separate questions from those relating to bank holding companies. Contrary to what seems to be a widespread misunderstanding, the President has taken no position on banks acting as insurance agents, and he certainly has taken no position which would favor banks over small insurance agencies. We regret very much that you have arrived at this impression.

The friendship and support you have given the President mean a great deal and he hopes the Administration will continue to merit your confidence in the months and years ahead.

With the President's best wishes,

Sincerely,

Noble M. Melencamp
Staff Assistant
to the President

Mr. William V. Cundiff
Cundiff Agency
Post Office Box 275
110 South Franklin
Kirksville, Missouri 63501

NMM:TREAS:STEPHENSON:ms

Respectfully referred
for attention and
appropriate handling

Noble M. Melencamp
Staff Assistant
to the President

SEP 16 1969

COPY OF ACKNOWLEDGMENT SENT



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

SEP 5- 1969

MEMORANDUM TO: Mr. Noble M. Melencamp
Staff Assistant to the President

From: Paul R. Beach *PRB*
Director, Executive Secretariat

In accordance with your request of August 26, 1969,
there is attached hereto a draft reply to Mr. William V.
Cundiff, who has written to Miss Woods concerning the
Administration proposals on one-bank holding companies.

Attachment.



THE WHITE HOUSE OFFICE

REFERRAL

02326
19098

To: The Secretary of the Treasury

Date: August 26, 1969

ACTION REQUESTED

- ☒ Draft reply for:
 ____ President's signature.
☒ Undersigned's signature.
____ Memorandum for use as enclosure to reply.
____ Direct reply.
____ Furnish information copy.
____ Suitable acknowledgment or other appropriate handling.
____ Furnish copy of reply, if any.
____ For your information.
____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

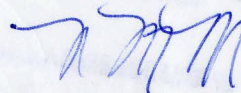
REMARKS:

Description:

☒ Letter: _____ Telegram: _____ Other: _____

To: The President's Secretary, Miss Rose Mary Woods
From: William V. Cundiff, Cundiff Agency, 110 S. Franklin, Kirksville, Missouri
Date: 8/16/69
Subject: re position of Administration on "one bank holding company"- supports H.R. 6778--limiting insurance agency activities of bank holding companies to credit life and credit accident and health only.

By direction of the President:



Noble M. Melencamp
Staff Assistant
to the President

rah

~~Proposed draft reply to Mr. Cundiff from Mr. Noble M. Melencamp~~

~~Dear Mr. Cundiff:~~

OK
w
Stephen

This is in reply to your letter of August 16, 1969, addressed to Miss Woods, secretary to the President. The President has received a great many letters from insurance agents concerning the Administration proposals relating to one bank holding companies. Miss Rose Mary Woods has asked me to reply to your August 16 letter concerning Administration proposals relating to one bank holding companies. You may be sure that the President is deeply concerned with the interests of local insurance agents and he has not proposed anything ^{intended} ~~designed~~ to hurt them.

The proposed legislation does not deal at all with banks engaging in the insurance business or acting as insurance agents. It deals only with ^{those that} ~~what~~ corporations ^{desire} ~~which own~~ banks, i.e., bank holding companies, may themselves do or do through subsidiaries other than banks. Under present law registered bank holding companies, those owning two or more banks, may engage in activities which are of an insurance nature to the extent permitted by the Board of Governors of the Federal Reserve System which must determine that the particular activities are so closely related to the business of banking as to be a proper incident thereto. However, existing law does not control the activities of bank holding companies which own one bank and so far as federal law is concerned they are free to engage at the present time in any activities including those of an insurance nature.

The Administration proposal is designed to place restrictions on the activities of such one bank holding companies. The restrictions proposed by the Administration were in general terms only and, although different, were not regarded as being more liberal than those presently imposed on registered bank holding companies. As you know, the House Committee on Banking and Currency amended this legislation to restrict the insurance activities of bank holding companies to credit life and credit accident and health only. *It is believed* ~~we believe~~ that this is acceptable to the insurance agents.

There is misunderstanding also concerning the Grandfather clause. This has nothing to do with the activities of banks. It has to do only with the activities of bank holding companies. Questions relating to the activities of banks are completely separate questions ~~than~~ *from* those relating to bank holding companies. Contrary to what seems to be a widespread misunderstanding, the President has taken no position on banks acting as insurance agents, and he certainly has taken no position which would favor banks over small insurance agencies. We regret very much that *you have ~~had~~ ^{survived at} this impression.* ~~there is an impression that he has.~~

The friendship and support you have given the President mean ~~your taking the time to write to Miss Woods about this matter is~~ a great deal and he hopes the Administration will continue to ~~very much appreciated~~ merit your confidence in the months and years ahead.

Sincerely, *J. Edgar Hoover*

With the President's best wishes,

Noble M. Melencamp
Staff Assistant
to the President

Proposed draft reply to Mr. Cundiff from Mr. Noble M. Melencamp

Dear Mr. Cundiff:

This is in reply to your letter of August 16, 1969, addressed to Miss Woods, secretary to the President. The President has received a great many letters from insurance agents concerning the Administration proposals relating to one bank holding companies.

I am sorry to say that these letters reflect a great deal of confusion and misunderstanding concerning the Administration position. The President certainly is concerned with the interests of local insurance agents and has not proposed anything designed to hurt them.

The proposed legislation does not deal at all with banks engaging in the insurance business or acting as insurance agents. It deals only with what corporations which own banks, i.e., bank holding companies, may themselves do or do through subsidiaries other than banks. Under present law registered bank holding companies, those owning two or more banks, may engage in activities which are of an insurance nature to the extent permitted by the Board of Governors of the Federal Reserve System which must determine that the particular activities are so closely related to the business of banking as to be a proper incident thereto. However, existing law does not control the activities of bank holding companies which own one bank and so far as federal law is concerned they are free to engage at the present time in any activities including those of an insurance nature.

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*The friendship and support you have given the President mean
Your taking the time to write to Miss Woods about this matter is
a great deal and he hopes the Administration will continue to
very much appreciated.
merit your confidence in the months and years ahead.*

Sincerely, *Yours*

With the President's best wishes,

Noble M. Melencamp
Staff Assistant
to the President

Cundiff Agency

Insurance - Bonds

P. O. BOX 275
110 S. FRANKLIN KIRKSVILLE, MISSOURI 63501
PHONE: 665-4053

August 16, 1969

Miss Rose Mary Woods
Secretary to The President
1600 Pennsylvania Avenue
Washington, D. D.

Dear Miss Woods:

I would certainly appreciate it if you would pass this along to The President. You have been very generous in the past with this type of request. I do not wish to be rude in anyway, but I will be blunt—to keep the letter on one page. As the record will show, I have been a member of the county Republican Committee since 1954, and supported Mr. Nixon along time ago. I will continue to give him whatever assistance I can. Right now I need some from him.

The position of the Administration on the "one bank holding company" matter is very disappointing, to say the least. In fact it has me on the hot seat, and I am going to catch it next week. In 1968 several of we Republican insurance agents wrote letters, made phone calls, and twisted arms to get many of these Missouri democrat agents to vote for Mr. Nixon. I think that helped carry the State. We want to do the same thing in 1972, but unless some consideration is given to the position of the Independent Insurance Agent it will be real rough. These agents are going to ask me why The President seems to be taking a stand in direct opposition to the interests of thousands of small local insurance agents, millions of borrowers, and countless other ordinary people. They can only see that he is helping the banks, and insurance companies. Contrary to some opinions most agents are small businessmen. Insurance companies don't care who sells their insurance. Lending institutions can, and do, put a great deal of pressure on the borrower to buy insurance where the lender prefers. It may be subtle pressure, but the message gets across. I really feel that Mr. Nixon will give consideration to our viewpoint, and will agree with us if he gets the chance to hear our views. That is why I ask you to manage to get this in front of him—along with the other 30 millions of things he has to see each day.

This is what we want: HR 6778 must spell out, as it now does, that the insurance agency activities of bank holding companies must be limited to credit life and credit accident and health only. We don't want a grandfather clause to let all the banks under the wire. If necessary, however, we would accept January 1, 1965, as a grandfather clause date. A "test" for determining permissible non-banking activities, which specifically takes into account the competitive factors, should be included in the bill.

Your kind assistance, and Mr. Nixon's Help will certainly be appreciated. If we can get this thru, I personally guarantee he will carry Missouri in 1972, even if I have to steal all the absentee ballots myself.

Cordially,

William V. Cundiff

William V. Cundiff



GENERAL

FI 2

PR 13/5/16

LUTHER MOORE, JR.
JOHN JACO

316 SW 2-2541

SEP 20 1969

MOORE-JACO AGENCY

TENTH AT WILLIAMS
P. O. BOX G
GREAT BEND, KANSAS 67530

SEPTEMBER 15, 1969

1-Petition

THE PRESIDENT
THE WHITE HOUSE
1600 PENNSYLVANIA
WASHINGTON, D. C. 20500

MR. PRESIDENT:

WE ARE DEEPLY CONCERNED IN REGARD TO "ONE BANK HOLDING COMPANIES" ENTERING INTO BUSINESS ACTIVITIES THAT ARE NOT BANK RELATED.

IT IS OUR FEELING THAT LEGISLATION MUST BE ENACTED TO INCLUDE THE FOLLOWING:

1. LEGISLATION IS NEEDED TO PRESERVE THE BASIC SEPARATION OF BANK AND BANK RELATED ACTIVITIES FROM OTHER BUSINESS ACTIVITIES.
2. THE BILL MUST SPELL OUT, AS IT PRESENTLY DOES, THAT THE INSURANCE ACTIVITIES OF BANK HOLDING COMPANIES ARE LIMITED TO CREDIT LIFE AND CREDIT ACCIDENT AND HEALTH COVERAGE ONLY.
3. IT IS OUR FEELING THAT THE GRANDFATHER CLAUSE IS IMMORAL; HOWEVER, IF A FORGIVENESS CLAUSE MUST BE INCLUDED, THE PROPOSED DATE OF FEBRUARY 17, 1969 IS NOT ACCEPTABLE. A DATE OF JANUARY 1, 1965, WOULD BE MORE PROPER.
4. THE BILL SHOULD CONTAIN A "TEST" FOR DETERMINING PERMISSIBLE NON-BANKING ACTIVITIES. THE TEST WOULD UNCOVER POSSIBLE ADVERSE EFFORTS SUCH AS UNDUE CONCENTRATION OF RESOURCES, DECREASED COMPETITION POSSIBILITIES, CONFLICTS OF INTEREST OR UNSOUND BANKING PRACTICES.

RECEIVED
SEP 19 1969

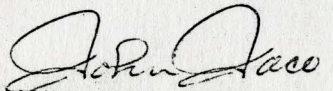
THE PRESIDENT

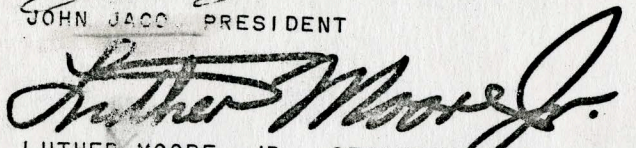
PAGE 2

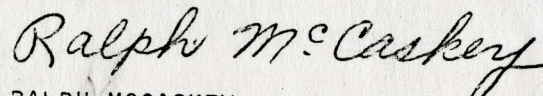
IT IS OUR UNDERSTANDING THAT THE HOUSE OF REPRESENTATIVES
WILL CONSIDER H. R. 6778 WITHIN THE NEXT FEW WEEKS. IT IS
VITAL TO THE INSURANCE AGENCY BUSINESS THAT H. R. 6778 BE
PASSED.

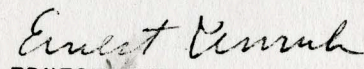
YOUR PROMPT CONSIDERATION AND ASSISTANCE IS URGENTLY
REQUESTED IN THE PASSAGE OF THIS BILL.

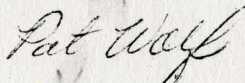
RESPECTFULLY YOURS,

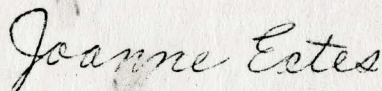

JOHN JACC PRESIDENT


LUTHER MOORE, JR., SECRETARY TREASURER


RALPH MCCASKEY


ERNEST UNRUH


PAT WOLF


JOANNE ESTES

JE

GENERAL

BE 5-3

FI 2

FG 6-3

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 24, 1969

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

Dear Mr. Spears:

We share your concern over the capability of banks to meet the competition of rising yields in the market while Regulation Q prevents any further increases in interest payments on CD's and other time deposits. Emerging developments in our financial markets suggest that interest rates are going to fluctuate fairly widely from time to time, and that our financial institutions must be able to adapt to these swings when they occur.

It does not appear to us that we are on the verge of a financial crisis, as your letter avers, but it is certainly true that a tight monetary policy necessary for curbing inflation can involve our economy in a painful process of readjustment. The basic problem is the inflation; the high interest rates are but a symptom of inflation and a reflection of the necessary policies to deal with it.

Sincerely yours,

Herbert Stein

Herbert Stein
Member

Mr. Charles A. ^XSpears
Grayson County State Bank
P. O. Box 430
Sherman, Texas 75091

Henry Kissinger

9/29/69

THIS TIGHT MONEY
and CERTAIN CONTINUING INFLATION
IS going TO DO FOR PRES NIXON much
Harm. Please CONSIDER!

MR STEIN

I disagree with you almost
totally as to the cause and cure of INFLATION.
THE MONETARY - MILITARY MANIA started
with Eisenhower and continued with Johnson and Nixon.

BROUGHT FORWARD

GENERAL

F I 2
Previously filed

9/30/69
Date

NAME Page Belcher

ORGANIZATION _____

GENERAL

F I 2
New File Symbol

10/10/69
Date

FINAL ACTION Wm. Simmons ltr.
to Hon. Page Belcher

mcj

THE WHITE HOUSE OFFICE

GENERAL

③

REFERRAL

PO
FI 2

To: Office of the Postmaster General
Washington, D. C.

Date: October 1, 1969

ACTION REQUESTED

- ☐ Draft reply for:
- ☐ President's signature.
- ☐ Undersigned's signature.
- ☐ Memorandum for use as enclosure to reply.
- ☐ Direct reply.
- ☐ Furnish information copy.
- ☒ Suitable acknowledgment or other appropriate handling.
- ☒ Furnish copy of reply, if any.
- ☐ For your information.
- ☐ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description: Letter addressed to Rose Mary Woods from H. F. James, President, The Home Bank, Savannah, Missouri regarding Post Office account.
Letter: ☒ Telegram: ☐ Other: ☐
To: Rose Mary Woods
From: H. F. James
Date: September 25, 1969
Subject: Post Office Account at Bank

By direction of the President:

Rose Mary Woods
Personal Secretary
to the President

RECEIVED
OCT 2 1969
CENTRAL FILES

GENERAL

October 4, 1969

F12

PR13/ST10

Dear Mr. Macgill:

President Nixon has received the copy of the resolution adopted by your organization. He appreciates your courtesy in letting him know of this action.

Sincerely,

Noble M. Melencamp
Staff Assistant
to the President

Mr. C. R. Macgill
Executive Secretary-Treasurer
Savannah Association of Independent
Insurance Agents
Post Office Box 845
Savannah, Georgia 31402

JR:jds - 2

TREASURY

Respectfully referred
for attention and
appropriate handling.

Noble M. Melencamp
Staff Assistant
to the President

COPY OF ACKNOWLEDGMENT SENT

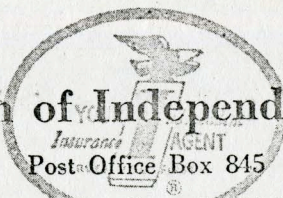
Reproduced at the Richard Nixon Library and Museum

OCT 7 1969

RECEIVED
OCT 7 1969
CENTRAL FILES

SR 328 a c

Savannah Association of Independent Insurance Agents



Savannah, Georgia 31402

OFFICERS

L. M. Steinheimer, Jr., *President*
Wm. H. Brown, *President-Elect*
Herman Cranman, *Vice-President*
Richard Haycock, *Recording Secretary*

September 30, 1969

EXECUTIVE COMMITTEE

Walter Corish, Jr.
William Jones
Remer Lane, Jr.
Richard Williams

C. R. Macgill, *Executive Secretary-Treasurer*

Respectfully referred
for attention and
appropriate handling.

Wm. H. Brown
Staff Assistant
to the President

WHEREAS, the Savannah Association of Independent Insurance Agents is vitally interested in the Bank Holding Company Legislation, and

WHEREAS, Bill HR 6778 is being considered in the House of Representatives at this time with a grandfather clause attached, and

WHEREAS, the Georgia Association wishes to see that this Bill is passed with the amendment deleting the grandfather clause while continuing to prohibit Bank Holding Companies to act as insurance agents;

THEREFORE, BE IT RESOLVED, that the membership of this Association expresses its desire to the President of the United States urging the full force of his office to implement passage of this Bill without the grandfather clause, and

BE IT FURTHER RESOLVED, that a copy of this resolution is being entered in the minutes of the Savannah Association of Independent Insurance Agents and that a copy is being sent to the President of the United States.

C. R. Macgill
Executive Secretary-Treasurer

GENERAL

FI2
FI5
FG120

October 6, 1969

Dear Mr. Stickler:

Thank you for writing me as you did under date of September 23 expressing your views on the ease of obtaining bank credit which you feel may be due to provisions of the Federal Deposit Insurance Corporation Act.

The President is always interested in the views of citizens from throughout the country, and you may be assured that yours have been fully noted.

With cordial regard,

Sincerely,

William E. Timmons
Deputy Assistant to
The President

Mr. C. L. Stickler
511 East Hoffman Street
Three Rivers, Michigan 49093

WET:EF:VO:jj - 2

cc: Hon. Ed Hutchinson

RECEIVED
OCT 7 1969
CENTRAL FILES

September 23, 1969

Mr. William E. Summons,
Deputy Assistant
The White House
Washington, D. C. 20515
Dear Sir:

I write few letters; once in a while to Mr. Hutchinson as you recently noted. When your pocket book is being goaded by inflation there is an urge to respond.

It isn't difficult to observe the cause, the main cause, of inflation. No one seems to dare or care to take the action necessary.

The Federal Deposit Insurance Corporation Act was sensible for a considerable time but it is now used on a grand scale to make vast sums of money by the very institutions the Act was intended to protect.

If a bank overextends credit it need not fear because the federal government guarantees up to \$15,000.00 each depositor's account. With this assurance the banks now advertise that one doesn't need money because the owner of a Bank Card has credit. In fact, banks ~~not~~ advertise that one can obtain money on his bank card.

When a merchant sells and the customer desires credit, the merchant pays the bank 5%. On one thousand dollar sales, the merchant pays \$50.00 to the bank. The payer, the customer, pays 1% to the bank - one percent per month. The merchant can't afford to lose \$50.00 on the sale so this \$50.00 is spread over other items for sale.

From diamond rings to cars, furniture - in fact any saleable item, most banks are now involved in these transactions. It is a lucra-

October 10, 1969

Dear Page:

This letter is in further response to your note of September 24, in which you forwarded a note from one of your constituents concerning this Administration's position regarding bank entry into non-banking activities and businesses.

We have been receiving a number of inquiries on this general subject primarily from insurance agents throughout the country. It appears that most of the concern stems largely from a misunderstanding of the Administration's recommendations for regulation of bank holding companies and from a further misunderstanding of the legislation on this subject which has been reported from the House Banking and Currency Committee.

In an effort to set the record straight, the Treasury Department has prepared a memorandum describing the general thrust of the House bill and also clarifying the position of the Administration with respect to this legislation. I am enclosing a copy of this memorandum in the hope that it may be helpful in answering questions raised by your constituents.

With warm regard,

Sincerely,

Buell

William E. Timmons
Deputy Assistant to
The President

X
Honorable Page Belcher
House of Representatives
Washington, D. C.

Enclosure

4
WET:TREASURY:VO.EF::

RECEIVED
OCT 14 1969
CENTRAL FILES

10-7 Ef - Our pending is
filed

THE DEPARTMENT OF THE TREASURY

EF

DATE _____

TO Bill Timmons

Think this will
satisfy Page Belcher's
needs.

Jim

James E. Smith
Special Assistant to the Secretary
(Congressional Relations)

Dear Page:

This letter is in further response to your note of September 24, in which you forwarded a complaint from one of your constituents concerning this Administration's position regarding bank entry into non-banking activities and businesses.

We have been receiving a goodly volume of mail at the White House on this general subject from insurance agents throughout the country. It appears that most of the complaint stems from a misunderstanding of the Administration's recommendations for regulation of bank holding companies and from a further misunderstanding of the legislation on this subject which has been reported from the House Banking and Currency Committee.

In an effort to set the record straight, the Treasury Department has prepared a memorandum describing the general thrust of the House bill and also clarifying the position of the Administration with respect to this legislation. I am enclosing a copy of this memorandum in the hope that it may be helpful in answering questions raised by your constituents. With warm regard,

Sincerely, yours,

William E. Timmons
Deputy Assistant to
The President

Honorable Page Belcher
House of Representatives
Washington, D.C.

Enclosure

GENERAL
FI 2

September 30, 1969

Dear Page:

Thank you for your September 24 letter forwarding a constituent inquiry concerning the role of banks participating in non-banking activities.

I have asked for information which will be helpful to you in responding to this inquiry, and as soon as it is prepared, I shall be back in touch with you.

With warm regard,

Sincerely,

Bill

William E. Timmons
Deputy Assistant to
The President

^x
Honorable Page Belcher
House of Representatives
Washington, D. C.

^{epm}
bcc: w/incoming to TREASURY DEPT. (James Smith) for DRAFT REPLY

WET:VO:EF:jj

4
RECEIVED
SEP 21 1969
CENTRAL FILES

HOUSE OFFICE BUILDING
SUITE 2462

PAGE BELCHER
FIRST DISTRICT, OKLAHOMA

EX-
MEMBER COMMITTEE ON
AGRICULTURE

HOME ADDRESS:
FEDERAL BUILDING
TULSA, OKLAHOMA

ADMINISTRATIVE ASSISTANT
MARY C. HIGGINS

Congress of the United States
House of Representatives
Washington, D.C. 20515

September 24, 1969

Mr. Bill Timmons
Deputy Assistant to
the President
The White House
Washington, D. C. 20500

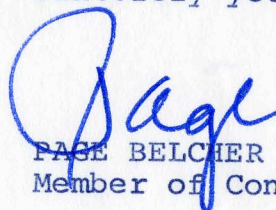
Dear Bill:

I am enclosing a copy of the remarks of one of
my constituents which he sent on the back of my questionnaire.

I am wondering if you could furnish me with the
Administration's policy on this so I can reply to the consti-
tuent.

With best wishes, I am,

Sincerely yours,


PAGE BELCHER
Member of Congress

PB:rs
enc.

I am also worried about the increasing role of Banks, in non-banking activities, such as Insurance, Travel Agents, Real Estate and Accounting Services. As a lifelong Republican, I am very unhappy with the present administrations standing on Banks in Non-Banking Activities.

PRESERVATION COPY

25.

BROUGHT FORWARD

GENERAL

FI 2

Previously filed

10-13-69

Date

NAME Hon. Charles Raper Jones

ORGANIZATION M.C.

GENERAL

FI 2

New File Symbol

10-27-69

Date

FINAL ACTION Lt. L. Mr. Timmons

Lt. Cong. Jones.

THE WHITE HOUSE
WASHINGTON

October 15, 1969

GENERAL

FI 11
FI 2
FI 5

Dear Mr. McKinnis:

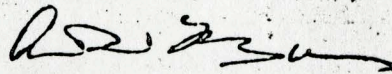
My colleague, Mr. Bryce N. Harlow, has asked me to reply to your letter in which you expressed concern about the impact which the tax reform bill, passed by the House and now under consideration in the Senate, may have on savings and loan associations.

Under existing law, financial institutions are permitted to establish tax-free reserves for bad debts which are far larger than their loss experience would warrant. Other taxpayers can make such deductions only if they can be justified by the actual loss experience. The House-passed bill would apply to financial institutions -- commercial banks, mutual savings banks, cooperative banks, and savings and loan associations -- the same principles that apply to other businesses and do so uniformly without discrimination -- subject to a ten-year carryback and five-year carry-forward for net operating losses.

The Administration further proposed that financial institutions be granted a special tax deduction of five percent of gross interest income from loans for residential construction (also, guaranteed loans to college students or by the Small Business Administration). This should stimulate the homebuilding industry and prove beneficial to mortgage-lending institutions.

I hope that this information will be of assistance to you.

Sincerely,



Arthur F. Burns
Counsellor to the President

X
Mr. George E. McKinnis
President-Manager
X First Federal Savings & Loan
Association of Shawnee
Broadway at Eleventh
Shawnee, Oklahoma 74801

Nothing else sent to 11-17-69
Central Files as of

fje/mm

3016 (2)

GENERAL
FI2
FI7

OCT 15 1969

KISSINGER, HENRY A. /Mag-Sent/F★

KISSINGER, HENRY A. /Inv/1969/D.O.C.

Dear Mr. Fowler:

I appreciated your invitation to join in the celebration marking the emergence of the special drawing rights. Unfortunately, I could not come as I was in Florida at the time. Nevertheless, I take great pleasure in extending to you, the chief architect of S. D. R. 's, my heartiest congratulations.

Best regards,

(Signed) HENRY A. KISSINGER

Henry A. Kissinger

★

The Honorable Henry H. Fowler
Goldman, Sachs & Company
55 Broad Street
New York, New York 10004

Rewritten:RHoudek:nm:10/11/69

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

ACTION

October 7, 1969

MEMORANDUM FOR DR. KISSINGER

FROM: C. Fred Bergsten

SUBJECT: Response to Joe Fowler's Invitation to Celebrate
Creation of S.D.R. 's

Joe Fowler invited you to his party in celebration of the creation of S.D.R. 's (Tab B). You could not go because you were in Florida. (I attended and can report that the party had the atmosphere of a political victory celebration. The gestation period had lasted for five years.)

Fowler's role in pushing through S.D.R. arrangement deserves a response from you. Following Bob Hoover's suggestion, I have suggested that you sign a letter at Tab A regretting your inability to attend Fowler's party.

RECOMMENDATION:

That you sign the letter at Tab A regretting your inability to attend Fowler's party.

A

3016

THE WHITE HOUSE

WASHINGTON

October 3, 1969

FOR MR. BERGSTEN

THRU: Secretariat

FROM: Bob Houdek

Would you please prepare a reply
along the lines of:

- 1) Thank you.
- 2) Regret I could'nt make it
because I was in Florida.
- 3) Bon Voyage S. D. R. 's

done

THE WHITE HOUSE

WASHINGTON

Dear Mr. Fowler:

Thank you for your invitation to participate in the champagne christening of the good ship S. D. R. Unfortunately I could not come, since I was on another coast -- in Florida. Nevertheless, it is a great pleasure to congratulate her chief architect now that she has gone down the ways and to wave a hearty bon voyage.

Best regards,

Henry A. Kissinger

Honorable Henry H. Fowler
Goldman, Sachs & Company
55 Broad Street
New York, N. Y. 10004

B

September 25th, 1969

Dear Dr. Kissinger

New ships are launched for their life on the high seas with a bottle of champagne being broken over the prow.

Babies are christened to signify the beginning of a new spiritual life, surrounded by parents, sponsors and friends.

While nothing as ceremonious as a launching or a christening is in order to celebrate the emergence of a new reserve asset, the Special Drawing Rights, on the world financial scene, surely, we should mark the event by convening informally and toasting the future of the infant.

Presumably and hopefully, Friday, October 3rd, will mark the conclusion of the Annual Meeting of the Fund and Bank in 1969 with the approval by the Governors of the requisite number of participating nations of the proposal of the Managing Director that the Special Drawing Rights be activated as of January 1st, 1970.

Fred Deming and I join in inviting you to a small celebration party on Friday, October 3rd, from 6-8 p.m., at the Anderson Room of the Metropolitan Club in Washington, corner of 17th and H Streets.

We hope you will join with many who played a major part in bringing about this long hoped for event to lift a glass.

With best wishes, I am

Sincerely yours,

Henry H. Fowler

Henry H. Fowler

GENERAL

FI 2
FBI 131
FBI 120

October 27, 1969

Dear Mr. Jonas:

After checking further into the question you raised in your letter of October 9, I find that there is considerable discussion about the possibility of revamping the bank regulatory agencies. However, to date nothing definite has been decided.

Over the year there have been many suggestions to revise the bank regulatory agencies. One suggestion that has frequently been raised is that the Federal Reserve System should be a central bank and not be involved in bank regulation. This suggestion has been made by several members of the Federal Reserve Board, including Chairman Martin. In recent years the regulatory duties of the Federal Reserve have been increasing not decreasing.

The thrust of the article in the Times is basically correct. The Treasury and the bank regulatory agencies are all considering possible changes to make the entire system more efficient. The upcoming changes in the chairmanship of the Federal Reserve Board and the F. D. I. C. also tend to make this a good time to be considering other changes. The nature and timing of such changes are still undecided. I will let you know when a more definite plan emerges.

With warm regard,

Sincerely,

Bill

William E. Timmons
Deputy Assistant to the President

Honorable Charles Raper⁺ Jonas
House of Representatives
Washington, D. C.

RECEIVED
OCT 28 1969
CENTRAL FILES

bcc: Treasury Dept. (Jim Smith)-FYI and to advise E. Frayer (Harlow's Ofc
WET:Treasury:EF:kh when plan emerges.

Dear Mr. Jonas:

After checking further into the question you raised in your letter of October 9, I find that there is considerable discussion about the possibility of revamping the bank regulatory agencies. However, to date nothing definite has been decided.

Over the years there have been many suggestions to revise the bank regulatory agencies. One suggestion that has frequently been raised is that the Federal Reserve System should be a central bank and not be involved in bank regulation. This suggestion has been made by several members of the Federal Reserve Board, including Chairman Martin. In recent years the regulatory duties of the Federal Reserve have been increasing not decreasing.

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GENERAL

FI 2

October 13, 1969

Dear Mr. Jonas:

Thanks for your October 9 letter with the
enclosed New York Times article by
H. Erich Heinemann.

I'll check into the points raised and report
to you at the earliest possible time.

With warm regard,

Sincerely,

William E. Timmons
Deputy Assistant to
The President

Honorable Charles Raper Jones
House of Representatives
Washington, D. C. 20515

CC: Treasury for draft reply *with memo*

WET:EF:jz

* NORTH CAROLINA NATIONAL BANK

RECEIVED
OCT 15 1969
CENTRAL FILES

CHARLES RAPER JONAS
9TH DISTRICT, NORTH CAROLINA

COMMITTEE ON APPROPRIATIONS

WASHINGTON OFFICE:
HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

DISTRICT OFFICE:
239 FEDERAL BUILDING
CHARLOTTE, N.C. 28202

Congress of the United States
House of Representatives
Washington, D.C. 20515

October 9, 1969

Mr. William E. Timmons
The White House
Washington, D. C.

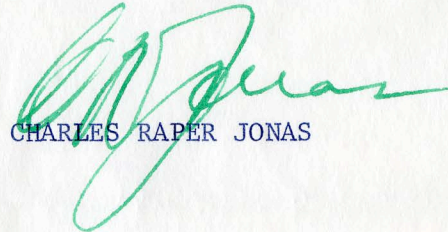
Dear Bill:

Enclosed herewith is a copy of the New York Times article published September 15, 1969 which I discussed with you over the telephone today.

I am aware of the problems involved in giving out information about what the Administration is thinking on the subjects discussed in the article, but I have an inquiry from the Chairman of the Board of the North Carolina National Bank asking what I know about the suggestions made in the article. Naturally I have to respond to this letter and would like to give the writer any information that can be released.

With all good wishes, I am

Sincerely,



CHARLES RAPER JONAS

CRJ/mca

Enclosure

CHANGE EXPECTED IN BANK CONTROLS

Administration Is Said to Be
Planning a Reorganization
of Federal Regulation

DETAILS ARE PONDERED

Reserve Reportedly Would
Yield to Other Agencies
Some of Its Functions

By EL ERICH HEINEMANN

The Nixon Administration is planning a basic reorganization of Federal regulation of banking, "sooner rather than later," unusually well-informed sources said over the weekend.

Consideration of the plan comes at a time when a substantial turnover in the personnel of the Federal banking agencies is in prospect, and a sharp political fight is going on in Congress over the regulation of holding companies that own a single bank (which are largely unregulated now).

While no decisions have been taken, the thrust of the plan now under consideration would strip the Federal Reserve System of its bank regulatory functions, leaving it as a "pure central bank," free to concentrate on managing the nation's money supply.

The Federal Reserve's present authority over bank holding companies, mergers, branching, examinations and the like would be divided between the Federal Deposit Insurance Corporation and the Controller of the Currency — both of which share parallel regulatory responsibility with the Federal Reserve today.

Ample Authority Seen

It was emphasized that the Administration believes that President Nixon has ample authority under existing statutes to implement the reorganization by Executive Order, subject only to a Congressional veto within a specified period of time.

The Administration has apparently rejected, sources said, the plan advanced by James L. Robertson, vice chairman of the Federal Reserve Board, for a five-man Federal Banking Commission, which would take over all the regulatory functions of the Federal Reserve, the F.D.I.C. and the Controller's office.

A single bank regulatory agency would lead to too great a concentration of power at the Federal level, it was said, especially in view of the key role that banks play in the nation's economic life with their unique ability to create money.

The Administration's plans for reform of bank regulation have given added interest to the likely turnover in the top positions in all three agencies.

1970 Retirement Likely

William McChesney Martin Jr., who was appointed by President Truman as chairman of the Federal Reserve Board in 1951, will be required by law to retire on Jan. 31, 1970.

The White House has apparently not yet started to focus seriously on the task of choosing Mr. Martin's successor, but among the many candidates being mentioned are Gabriel Hauge, president of the Manufacturers Hanover Trust Company and a former official in the Eisenhower Administration, and Hugh D. Galusha Jr., president of the Federal Reserve Bank of Minneapolis.

Mr. Hauge, a Ph.D. economist who has also worked as a journalist and an official of the New York State Banking Department, is said to be Mr. Martin's own "first choice" for the job.

The term of Kenneth A. ("Kay") Randall as chairman of the Federal Deposit Insurance Corporation expires early next March, and, according to friends, he is counting the days until he can return to private life.

Jack C. Hood, banking supervisor in the State of Washington, is among those who have been mentioned as possible successors to Mr. Randall.

The position of William B. Camp as Controller of the Currency is somewhat different. He has a statutory five-year term, that does not expire until

November, 1971. He does not serve at the pleasure of the President, and he can be removed only on a formal showing of cause to the Senate.

However, there have been recurring reports in Washington that Mr. Camp was under pressure to resign, much as the Kennedy Administration pushed out Ray M. Girney to make way for Mr. Camp's predecessor, James J. Saxon.

Should Mr. Camp be prevailed upon to resign, the leading candidates to replace him are thought to be Frank Wille, the New York State Superintendent of Banks, and James M. Hall, the California Superintendent of Banking.

The basic reason for the reorganization of Federal banking regulation that the Administration is considering appears to be a belief that the growing burden of bank regulation is beginning seriously to interfere with the Federal Reserve's exercise of its responsibility for monetary policy.

This burden will increase substantially in the months ahead if Congress, as is expected, enacts legislation giving the Federal Reserve sole authority over one-bank holding companies.

Jurisdiction Shrinks

The seven-man Federal Reserve Board now has jurisdiction over less than 100 holding companies that owns two or more banks; at present, there are more than 800 one-bank holding companies, and their number is increasing all the time.

Then, too, there has been sharp criticism within the banking business that the Federal Reserve has taken too narrow and restrictive a view in passing on bank mergers, and on attempts by banks to diversify into other lines of business related to banking.

As a senior official commented the other day, "I've about come to the conclusion, reluctantly, that the Fed [Federal Reserve] ought to get out of bank regulation and be a central bank in the purest sense of the term."

THE WHITE HOUSE OFFICE

REFERRAL

GENERAL

FG12-4

PE

PR 7-2/H*

FI 2

To: Honorable David Kennedy
Secretary of the Treasury

Date: October 28, 1969

5

ACTION REQUESTED

- _____ Draft reply for:
_____ President's signature.
_____ Undersigned's signature.

_____ Memorandum for use as enclosure to reply.

_____ Direct reply on behalf of President
X _____ Furnish information copy.

_____ Suitable acknowledgment or other appropriate handling.

_____ Furnish copy of reply, if any.

_____ For your information.

_____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Please express regrets the President will be unable to meet with Mr. Heddens and arrange for a meeting with someone in your department, if appropriate.

Description:

X Letter: ☒ Telegram: Other:

To: The President

From: Barret S. Heddens, Jr., Pres., First National Bank of Kansas City, Kansas
Date: October 23, 1969 City, Missouri

Subject: Expresses concern about the Office of the Comptroller of the Currency being placed under an employment ceiling and asks for an opportunity to meet with him or anyone else he would suggest in this regard.

By direction of the President:

Hugh W. Sloan, Jr.

Staff Assistant to the President

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OCT 29 1969

CENTRAL FILES

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GENERAL

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441
MOYNIHAN, DANIEL P. / H ★

October 29, 1969

Dear Connie:

Your letter arrived while I was out of the
country. Whatever happened to the bill?

Sincerely,

Daniel P. Moynihan
Assistant to the President

★
Miss Connie Hartman
x Paolozzi and Hartman
234 Upland Road
Cambridge, Massachusetts 02140

DPM/AMK/las
1

William P. Sawyer

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OCT 29 1969
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5

PAOLOZZI AND HARTMAN

INTERIOR DESIGN

234 UPLAND ROAD - CAMBRIDGE, MASSACHUSETTS, 02140 - 617 864-7899

October 7, 1969

Dearest Pat

A very rare friend, Bill Sawyer (William P.) is leading the push behind this bill which is to be voted on on the 13th October. The administration is WITH it. McC. Martin and K.A. Randall have testified for it as well as the Chairman of the Home Loan Bank Board.

For political reasons, Senator Brooke MAY continue to fight it and, as it is presently and primarily a Massachusetts problem, the Committee will, alas, follow Brooke.

Sawyer will be in Washington Wednesday and Thursday 8th and 9th and is very eager for even ten minutes of your time in the hope that you might put some pressure on Brooke. Bob Wood suggests that you will perhaps turn it over to Burns. Whatever your help, it will be much appreciated.

A message to Peggy O'Brien, Martin's secretary, at Home Loan Bank Board (386-5321) will find Bill. If you could spare him a mini-hearing, from behind your desk or over a drink, it would be a tremendous boost. If this is out of reach and reason, I'm quite sure he could nicely nutshell it for you over the telephone.

And what can I do for you??!!

Lots of love

Corrie

*Serves on Bills
Board of Directors*

MEMO TO MEMBERS OF THE FEDERAL HOME LOAN BANK OF BOSTON

You probably know that on Monday, we presented our case for rate control over uninsured institutions to the Senate Subcommittee on Financial Institutions in Washington. Senator Brooke was the only Senator present and, of course, he heard our side and "their" side with apparent impartiality. The crucial decision will be made by the Senate Banking and Currency Committee October 2. So it is absolutely imperative that contacts to our Senators be made prior to that date.

Attached is an excellent memo Steve Slipper of the U. S. League sent to all the members of the League's Legislative Committee in the states having members on the Senate Banking Committee. It includes a copy of our testimony. This has been supplemented by individual contacts.

With the rest of the business going to bat for us, we certainly need a big showing from New England to dramatize the seriousness of the situation. In addition to Senator Brooke, New England Senators Muskie and McIntyre are on the Committee.

We'll be in Washington beginning Tuesday doing everything we can. We know you'll be backing us up with a lot of telegrams, phone calls and letters.

Bob Taylor
Bill Sawyer

PRESERVATION COPY

MEMORANDUM

TO: NORTHEAST FEDERAL SAVINGS AND LOAN ASSOCIATION
BOARD OF DIRECTORS AND ADVISORY BOARD

FROM: WILLIAM P. SAWYER

SUBJECT: SECTION TWO OF SENATE BILL 2577

The attached has been sent to the 240 Members of the Home Loan Bank Board of Boston. The Steve Slipper memorandum together with my testimony was mailed to approximately 150 to 200 Members of the Legislative Committee of the United States Savings and Loan League nationwide.

As individual businessmen not as Directors or Members of the Advisory Board of the Northeast, it would be very helpful if you would telegraph Senator Brooke asking that he vote in favor of Section Two of Senate Bill 2577. If you wish to state the reasons why he should vote in favor of Section Two, you could mention that the Savings and Loans of Massachusetts have assumed the greatest burden over the years of the home financing needs in the State, and that they must be given at least parity with other financial institutions to attract capital.

WPS:mac
Attachments

PRESERVATION COPY

UNITED STATES SAVINGS AND LOAN LEAGUE

...Founded in 1892...

EXECUTIVE COMMITTEE

TOM B. SCOTT, JR., President, JACKSON, MISSISSIPPI
JOHN H. RANDOLPH, JR., Vice President, RICHMOND, VIRGINIA
NORMAN STRUNK, Executive Vice President, CHICAGO, ILLINOIS
RAYMOND L. MILLER, EAST HARTFORD, CONNECTICUT
WAYNE J. HOWSMON, ASHTABULA, OHIO
FRANK B. PARKER, JR., TRENTON, NEW JERSEY
ROY A. BLOUNT, DECATUR, GEORGIA
HOWARD H. WALSH, BALTIMORE, MARYLAND
ERVEN F. JURS, ELGIN, ILLINOIS
N. W. MITCHELL, WINSTON-SALEM, NORTH CAROLINA
JOHN P. FARRY, ALBERT LEA, MINNESOTA
HANS GEHRKE, JR., DETROIT, MICHIGAN
LOUIS W. GRANT, JR., TULSA, OKLAHOMA
JULIAN MIESTER, NEW ORLEANS, LOUISIANA
GUY E. JAKES, JR., PORTLAND, OREGON
KENNETH D. CHILDS, SR., LOS ANGELES, CALIFORNIA

STEPHEN SLIPHER
Staff Vice President
Legislative Director

WASHINGTON OFFICE

PENNSYLVANIA BUILDING ROOM 812
13TH ST. & PENNSYLVANIA AVE., N.W.
WASHINGTON, D. C. 20004
TELEPHONE: METROPOLITAN 8-6334

September 24, 1969

TO: SELECTED MEMBERS OF US LEAGUE LEGISLATIVE COMMITTEE FROM
STATES REPRESENTED ON THE SENATE BANKING AND CURRENCY COMMITTEE

ALABAMA - John J. Sparkman
CALIFORNIA - Alan Cranston
ILLINOIS - Charles Percy
IOWA - Harold Hughes
MAINE - Edmund Muskie
MASSACHUSETTS - Edward Brooke
MINNESOTA - Walter Mondale

NEW HAMPSHIRE - Thomas McIntyre
NEW JERSEY - Harrison Williams
NEW YORK - Charles Goodell
OREGON - Robert Packwood
SOUTH CAROLINA - Ernest Hollings
TEXAS - John G. Tower
UTAH - Wallace Bennett
WISCONSIN - William Proxmire

Although we are carrying on a major effort with respect to tax reform, we also have a vitally important legislative issue pending before the Senate Banking and Currency Committee on which we solicit the cooperation of those members of our Legislative Committee who have Senators on that Committee. I am referring to Senator Proxmire's bill to extend rate control, provide Treasury advances to the FHLB System and cover Massachusetts uninsured institutions with interest ceilings. The Senate Banking Committee will meet on October 2 so time is of the essence.

In your Legislative Reference Notebook under the tab "Savings and Loan Legislation", you will find S. 2577 as Exhibit B; Senator Proxmire's speech on the Senate floor as Exhibit C; and Bob Mitchell's testimony as Exhibit E. I am now enclosing William Sawyer's testimony with respect to the Massachusetts rate situation. I suggest that you glance at these materials at this time.

The situation is that the Senate Subcommittee on Financial Institutions has approved the extension of rate controls for a year (meanwhile, they have been temporarily extended for 90 days), and a \$2 billion dollar authority for the Treasury to make advances to the Federal Home Loan Bank System. They rejected the proposal to eliminate the Treasury veto over the FHLB System and postponed a decision on extending rate controls to uninsured institutions in Massachusetts.

We approved the subcommittee's actions but urged the full Committee to add in the control of uninsured institutions in Massachusetts and retain the Treasury authority to make advances. As indicated in Bob Mitchell's testimony, we supported the idea of the Treasury making advances to the FHLB System at times of severe mortgage shortage. This was approved by the subcommittee but **faces** an uphill battle because the Administration is flatly opposed to it and the Republican members did not choose to make an issue of it in the subcommittee but certainly will in the full Committee.

On extending rate controls to Massachusetts, we have a different political situation. The Treasury, the Federal Reserve, the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board have approved the extension but, of course, there is tremendous opposition from the uninsured savings banks and, to some extent, the cooperative banks in Massachusetts.

The situation is that in Massachusetts, savings banks and cooperative banks (state-chartered savings and loan associations) with more than \$10 billion in savings are not under Federal rate control and, of course, many of them are paying rates which the Federal institutions cannot match. The Federally chartered institutions have only about \$2 billion in savings.

In addition to the fact that the purpose of rate control was to deal with the nation-wide problem of savings competition, there is a practical reason why our people should be concerned. If the drain-off from Federally insured institutions in Massachusetts continues, the Federal Home Loan Bank Board will be under tremendous pressure to allow them some special rate increase. We all know how these things have a way of spreading and eventually disrupting the savings pattern everywhere.

I think it is important that Senators on the subcommittee recognize that this is a question affecting the whole rate control structure and not just a "squabble" concerning only Massachusetts.

The Banking Committee is going to meet on October 2 and it is important that they be aware that we support: (a) the \$2 billion authority of the Treasury to make advances to the Federal Home Loan Bank System, and (b) the extension of rate controls to Massachusetts.

I would appreciate receiving a copy of any contacts you make. We keep a careful record of these contacts and notice that with respect to a previous issue, only about half the Legislative Committee members appear to have participated. However, I am sure that the actual performance was much higher and some members simply forgot to send us a copy of their correspondence.

STEVE SLIPHER

Attachment

STATEMENT BY WILLIAM P. SAWYER
BEFORE SENATE BANKING AND CURRENCY COMMITTEE

September 22, 1969

My name is William P. Sawyer. I am President and Chairman of the Board of the Northeast Federal Savings and Loan Association with its home office in Watertown, Massachusetts. I appear on behalf of the Massachusetts Council of Federal Savings and Loan Associations to testify in favor of Section 2 of Senate Bill 2577. The Massachusetts Council is composed of the 35 Federally chartered savings and loan institutions located in Massachusetts. I am accompanied by Joseph Bartlett, a partner in the law firm of Ely, Bartlett, Brown & Proctor, attorneys for the Massachusetts Council.

I appreciate the opportunity to appear before the Committee. I will not attempt to restate the testimony in favor of Section 2 which has already been offered by the Chairmen of the Federal Reserve Bank, the Federal Home Loan Bank Board, and the Federal Deposit Insurance Corporation. Let me only say that we are gratified, of course, by the support of the Administration on an issue which we consider of major importance. Their testimony only strengthens our conviction that grave problems face thrift institutions in Massachusetts, New England and the entire nation unless the Congress acts promptly to close the disparity in the recently extended system of National Rate Control of interest rates on savings.

The 35 federal savings and loan associations in Massachusetts, with total assets of about \$1.8 billion, are only part of the thrift industry in our state. 176 Mutual Savings Banks, with total assets of \$10 billion, and 153 Cooperative Banks, with total assets of \$2 billion, comprise the remaining portion of the thrift industry.

The present National Dividend Rate Control Law affects the three types of institutions as follows:

1. Institutions whose deposits are insured through either the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation are controlled.
2. Members of the Home Loan Bank System, whether Federally insured or not, come under National Control.
3. Savings Banks that are not insured by FDIC or are not members of the Federal Home Loan Bank System are not controlled.

At present, only one Massachusetts Savings Bank of the 176 is a member of the Home Loan Bank and is, thereby, controlled. Eight Savings Banks are insured by the FDIC and until April 10th, 1969, were controlled. In January, 135 State Chartered Cooperative Banks of the 153 were members of the Home Loan Bank System and were subject to National Rate Control.

At the beginning of the year, the uncontrolled Savings Banks gradually increased dividends in excess of the National Control bench marks. The majority of these moved to 5 1/2% on 90-day notice accounts -- one as high as 6%. The effect upon the eight FDIC Savings Banks became dramatic in the area of capital flowing to the non-controlled banks.

Recognizing potential and permanent damage to the eight controlled Savings Banks, through the loss of capital, the FDIC, on April 10, 1969, granted an exception to these institutions making it possible for them to meet the competitive rates offered by the balance of the Massachusetts Savings Banks.

Reaction to the FDIC exception was swift and significant in the Cooperative Bank System. Between January and September 19, 1969, 47 Cooperative Banks of the 135 who were members of the Home Loan Bank System resigned from the System so that they would be free to compete with the Savings Banks. Although even

more drastic disintermediation had been taking place among the Federal Savings and Loan Associations, similar relief was not granted to the Federals by the Home Loan Bank Board. As a result of events that have transpired in the last 6 months, \$11 billion in thrift assets in the State of Massachusetts remain free of the National Dividend Rate Control Law.

The most obvious feature of the current situation is its inherent unfairness. The Federal Associations and the Cooperative Banks still remaining members of the Home Loan Bank System are no longer able to compete for savings capital.

It follows that the controlled thrift institutions are being gravely injured by their inability to compete. The attached table and charts clearly demonstrate the current situation.

Since the beginning of this year, the savings capital of all Federals in Massachusetts has suffered an absolute decline of \$21 million. This compares with a \$491.8 million increase in the savings capital of the Mutual Savings Banks ¹⁾ during the same period.

Clearly, rate is the deciding factor since, in the 10 years prior to the appearance of arbitrary rate differentials, Federals had grown at a rate equal to or better than that of the Savings Banks. ²⁾

-
- 1) Since some Cooperative Banks are, and some are not, subject to rate control, the fairest comparisons are between Federals (all subject) and Savings Banks (none subject).
- 2) See Savings Bank Association of Massachusetts, Statement in Opposition

As an example, Chart #2 demonstrates that the three largest Federals in the City of Boston have suffered declines of extraordinary proportions since April when the FDIC insured Savings Banks were permitted to raise their dividends on notice accounts to 5 1/2%. The three FDIC Savings Banks enjoyed an increase in deposits in almost direct relation to the decline suffered by the three Federal Associations.

It will be noted that until these banks were de-controlled, they were suffering a marked decline in growth commencing April 1st. Conversely, with the ability to raise rates, their growth rate immediately moved back to parity.

The growth by Massachusetts Savings Banks is all the more spectacular when one considers the August report of The Savings Bank Journal (p. 52), which shows that Massachusetts Savings Banks led Mutual Savings Banks throughout the nation in gains in savings capital for the month of June. Massachusetts Banks, according to this source, gained \$48 million in June, ³⁾ while, for example, New York Banks lost \$278 million, Pennsylvania Banks lost \$19 million, New Jersey was off \$17 million and Rhode Island down \$5 million.

In short, there can be no question but that the higher rate of interest allowed to one segment of the thrift industry in Massachusetts is clearly injuring the regulated segment.

Further, the drain on the savings capital of the Massachusetts Federals has virtually eliminated these institutions from home financing - the primary purpose for which Congress originally brought the system into existence.

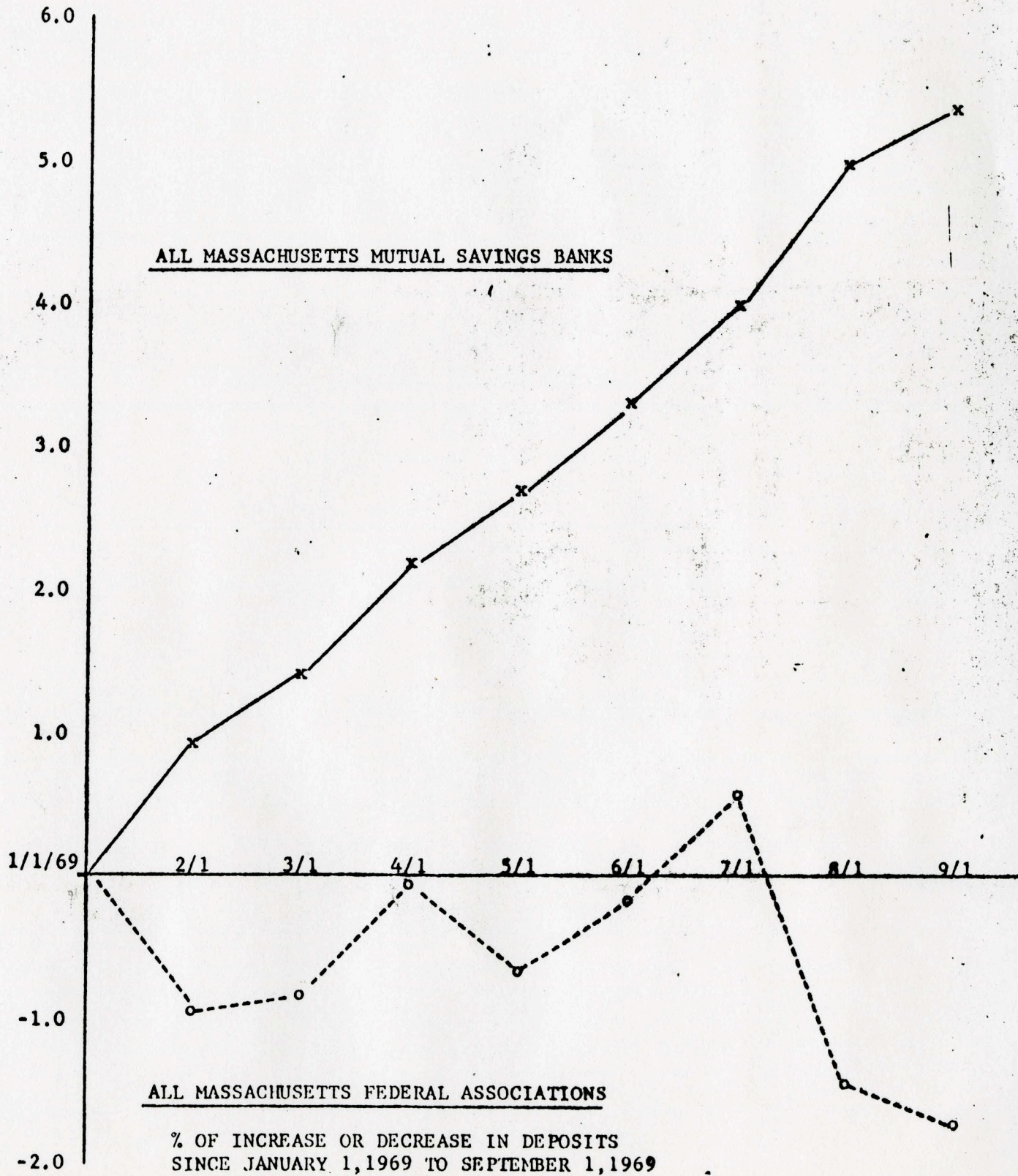
3) Not all banks included.

In light of the above, we urge that your Committee act favorably on Section 2 of Senate 2577. We are confident that when Congress passed the original rate control legislation, it never intended to exclude one section of the nation representing \$11 billion in thrift assets.

We further believe that in Congress' efforts over the last year and a half to curb inflation and reduce the costs of home mortgages, it never intended to let one segment of the nation's financial system run contrary to national policy by the payment of higher dividends than the rest of the nation. In so doing, these institutions are feeding the fires of inflation, causing higher and higher mortgage interest rates to the home owner.

We further believe that Congress' sense of fair play will dictate that all thrift institutions, whether they be insured through an agency of the Federal Government or not, be subjected to the same dividend rate controls. We feel that, in the interest of stabilizing the national economy, this loophole must be plugged.

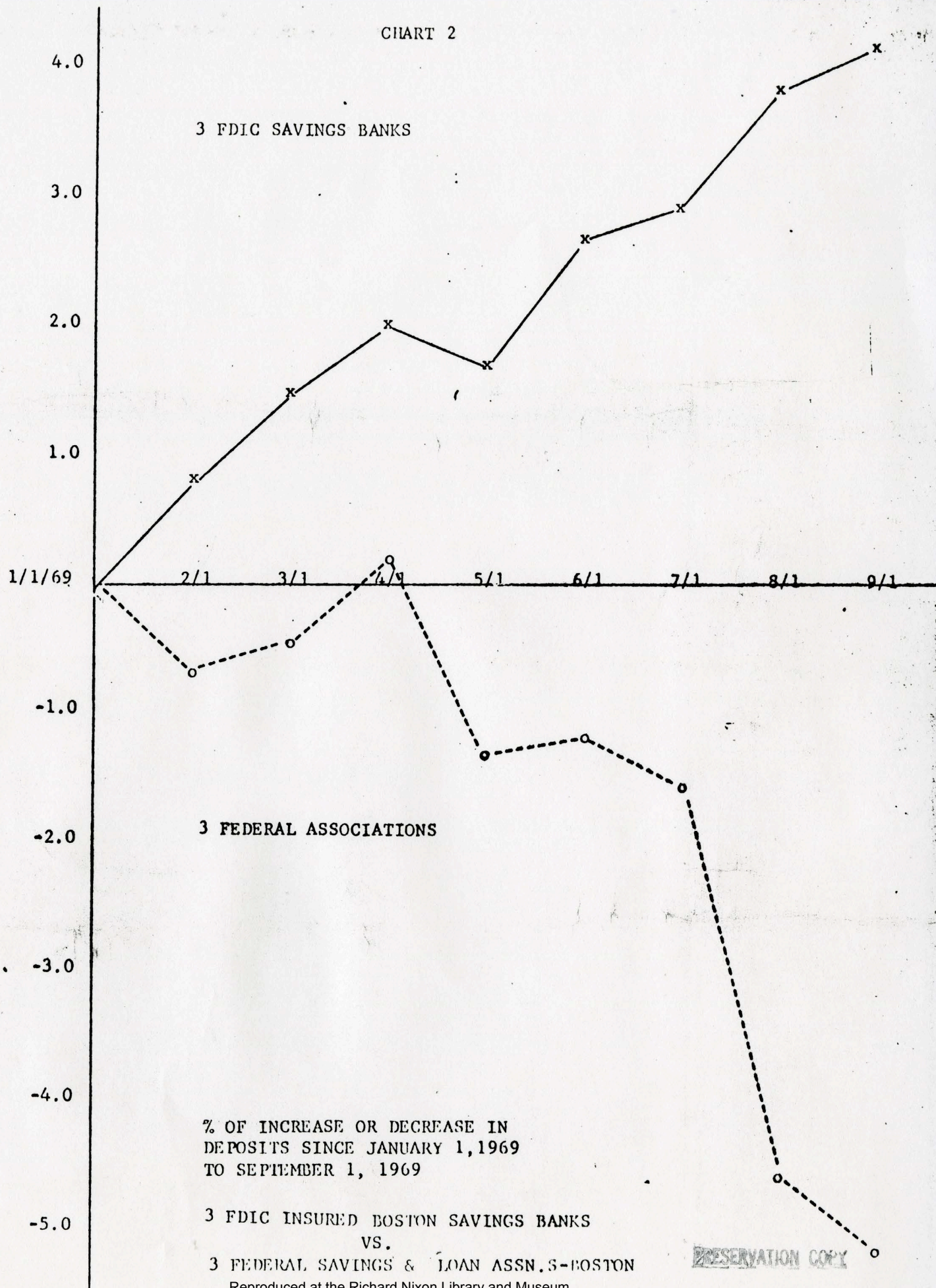
CHART 1



ALL MASSACHUSETTS MUTUAL SAVINGS BANKS
VS.

ALL MASSACHUSETTS FEDERAL ASSOCIATIONS

CHART 2



Bu

GENERAL

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October 31, 1969

Dear Congressman Blackburn:

I appreciate your interesting letter of October 24th with regard to the bank holding company legislation. My tentative opinion is that a small one-bank holding company, if unrestricted, could acquire too much economic power in a small community; and I therefore have some doubts about your amendment. However, I feel that your proposal deserves careful study.

It was good of you to speak so kindly of my nomination for the Federal Reserve post. I look forward to the opportunity, in good part because it will give me the opportunity to work with you and your Committee.

Sincerely yours,

Arthur F. Burns
Counsellor to the President

The Honorable Ben B. ^XBlackburn
House of Representatives
Washington, D. C.

Copy to:
Bryce Harlow

AFB:ccm

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GENERAL

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Bravo, Francisco

November 7, 1969.

Hon. Martin Castillo
Inter-Agency for Mexican-American Affairs
Washington, D.C.

Dear Commissioner Castillo:

As a head of an agency concerned with the welfare and protection of the general interest of the Mexican-Americans of the United States, the undersigned respectfully requests an immediate investigation by your agency of a sale of a note and its collateralizing Pan-American National Bank stock by the Bank of California, Southern California Headquarters in Los Angeles, and also the basics and collaterals of this transaction.

Chronologically, and the questions that are severely and shockingly raised are:

1. Why did the Bank of California, Southern California Hd. ts. (Vice-President Hayes) phone 213 area code - 626-0311, address 550 South Flower St. Los Angeles, California, sell a note held and collateralized well over 40 percent of the face of the note with Pan-American National Bank stock, and with continuing guarantee of three separate individuals, Mexican-Americans, Directors of Pan-American National Bank, sell to the enemy (an opposing group in the main of non-Mexican-Americans with no local deep roots) and in background of a known proxy contest - sell this note and its collateral bank stock one day before the day of record (10-31-69) preceding an annual shareholders meeting to be held on November 13, 1969. ?

2. Why did the Bank of California allow this note to go from period to period and in apparent conformity, knowing full well that the original use of the money was for the purchase of stock to safeguard the proxy position of the Mexican-Americans and the obligation to be met immediately after the shareholders meeting, when all of the stock would be sold to the local Mexican-Americans of the community and not revert back to Beverly Hills. It was further protected by a very strong financial statement of background of the three individuals concerned.

3. Why did they precipitate this matter immediately before the date of record and allowed no moves and accepted no explanations to resolve the matter so suddenly and at such a critical time for the Mexican-Americans ?

4. Why did they not accept and process financial statements of some of the undersigning nominees, which was submitted one month ahead for individual loans, to pick up the portions of the above note and shares so that the entire note would be defrayed immediately, but knowing by communication that this was the plan for repayment ?

5. Why was not this stock placed on the market and sold thru established and licensed brokers when the market was approximately \$3.25 above what the bank allowed the collateralizing stock to go along with the note, with tremendous financial loss to the owners of the stock from the standpoint of its original worth or cost, let alone the use of this large block of stock which was inventoried by Mexican-Americans with a severe and hard struggle over a period of months, and which included many pledged stock from friends and also personal stock from some of the undersigned to achieve this large inventory ?

6. Whether this is legal or otherwise, the question remains, whether it was a moral and a just act, or was there not overt collusion by big banking, with those who would take over from 100 percent Mexican-American effort and deny them the opportunity ?

7. Is this the way banking is helping minorities to upgrade themselves economically ?

8. Is big banking or banking itself helping minorities in any way ? We would like to see tangible proof of this, not resolutions at their Association conventions, with newspaper headlines, and nothing done except actions and transactions adverse to the minority.

9. Why did the Bank of California make misleading statements to interested citizens, such as to Mr. Collins of the Presbyterian church, and to the attorney of record, Mr. Manatt, that the stock would indeed not be sold, not to be concerned, and thus took the undersigned off guard.

10. Why did the opposing proxy contesters not go thru a brokerage house and bid on stock - why did they go direct to the Bank of California Is the Bank of California in the business of selling stock and receiving bids ?

11. With regard to the office of the Comptroller of the Currency, local, regional, and in Washington, we ask:

a) Why did the same examining team of bank examiners move from the Pan-American National Bank as of last April on finding out that a loan had been obtained by three of the Mexican-American directors, from the Bank of California - why did this same team move directly to the Bank of California and in their routine of examination immediately classify the loan as sub-standard though it involved sufficient collateral, and financial statements of three individuals of considerable worth, and without giving the loan an opportunity to perform and thus casting a shadow insofar as the Bank of California was concerned on this transaction ?

b) Why did the office of the Comptroller in Washington purposely delay in giving answer of approval to proxy material submitted by both contestants and submitted at least one month in advance prior to the September 18 annual shareholders meeting which had been adjourned from a June 19 event, and was within the 60-day violation period ? This delay of having to re-set the shareholders meeting to November 13, 1969, worked adversely to the interest of the Mexican-American slate because of additional costs involved, and as you now see, a loss of vote strength ?

c) In general, should not the Banking Committee subject this office to a review in depth as to its personnel at all levels and in all regions with regard to :

1. Staleness.
2. To the aging of the personnel in key positions.
3. To the minority representation in its personnel
4. As to the number of minority banks applied for, and chartered.
5. As to records of their encouragement and assistance, or the reverse .
6. As to attitudes and responsiveness to minority needs, specific and unique.

d) Should not this office be considered and subjected to a complete restructuring to meet present needs of a volatile and assertive peoples ?

12. Were there not civil rights violations in our case ?
13. Were we given equal opportunity ?
14. Was there discrimination ?

We would advise a multi-prong investigation into this serious matter with specific and general points in mind as raised, and others. Perhaps suggesting that your Department be involved as relates to the welfare of the Mexican-Americans - to the Banking Committee as it relates to the office of the Comptroller of the Currency and with the Civil Rights Commission in its area of jurisdiction.

Respectfully submitted,

FRANCISCO BRAVO, M.D.

FB/ep

cc Hon. Senator Joe Montoya
Senate Office Bldg.
Washington, D.C.

Hon. Henry Gonzales
House of Representatives
Washington, D.C.

Hon. Wright Patman
Washington, D.C.

Daniel P. Moynihan
Council of Urban Affairs
White House
Washington, D.C.

U.S. Civil Rights Commission
Washington, D.C.

Stallan.

Page 4.

This is the Mexican-American slate of nominees in contest for the Pan American National Bank Board of Directors. The last two listed are interested community leaders and members.

Gilbert Mejia
16203 East Delark
La Puente, California

Rev. Anthony Hernandez
Presbyterian Church
Los Angeles, California

Joseph Vigil, M.D.
3131 North Hoyt
El Monte, California

Ernest Flores
9237 South Morrill
Santa Fe Springs, California

Yahmaal Garcia
2425 South Hill St.
Los Angeles, California

Ramona Morin
1230 Crest Vista Drive
Monterey Park, California

Gilbert Vasquez
1921 Date St.
Alhambra, California

Benjamin Fernandez
19913 Black Hawk St.
Chatsworth, California

Dr. Luis G. Villa
564 Berkeley St.
San Marino, California

Ray Alba
811 E. Compton Blvd.
Compton, California

Richard S. Amador
315 De La Fuente Drive
Monterey Park, California

Fr. John Luce, Director
Episcopal Diocese of Los Angeles

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This Proxy is solicited on behalf of the shareholders who have signed and published this Proxy Statement accompanying this Proxy, and it may be revoked prior to its exercise.

DATED: _____

(Signature of Shareholder) (L.S.)

(Signature of Shareholder) (L.S.)

When signing as attorney, executor, administrator, Trustee or Guardian, please give full title. If more than one trustee, all join owners should sign exactly as your name appears on your share certificate.

PLEASE SIGN AND RETURN IMMEDIATELY
PAN AMERICA NATIONAL BANK OF EAST LOS ANGELES
3626 East First Street, Los Angeles, California 90063

PROXY
FOR
ANNUAL
MEETING

I, the undersigned Shareholder of PAN AMERICAN NATIONAL BANK OF EAST LOS ANGELES, do hereby nominate, constitute and appoint MRS. RAULMORIN, GILBERT MEJIA and FRANCISCO BRAVO, M.d. (no officer or employee of the Bank may be named as proxy) or any of them (with full power to act alone), my true and lawful attorney(s) with full power of substitution, for me and in my name, place and stead to vote all the Common Stock of said Bank, standing in my name on its books on October 30, 1969, at the annual meeting of its Shareholders to be held at the MAIN BANKING HOUSE, 3626 East First Street, Los Angeles, California, on November 13, 1969, at 7:00 o'clock possess if personally present as follows:

1. In favor of fixing the number of Directors to be elected at eleven (11) and against all proposals to fix the number of Directors to be elected at more than eleven (11).
In favor of the election of the eleven (11) persons listed in the Proxy
2. Statement dated October 28, 1969, accompanying this proxy: Mrs. Raul Morin, Gilbert Mejia, Yshmael M. Garcia, Jr., Gilberto Reynaldo Vasquez, Ernest R. Flores, Joseph Vigil, M.D., Francisco Bravo, M.D., Benjamin Fernandez, Luis Villa, O.D., Ray Alba, and Richard S. Amador. Votes may be cast on a cumulative basis for the above individuals so as to assure the election of as many nominees as possible.
3. Whatever other business may be brought before the meeting or any adjournment thereof. The named Proxy holders know of no other business to be presented at the meeting.

This Proxy confers authority to vote "FOR" each proposition listed above. If any other business is presented at said meeting, this proxy shall be voted at the discretion of the

October 28, 1969.

Dear Fellow Shareholders:

In recent months, direction of our bank has come into the hands of a group of directors which seems intent on ignoring the original purpose for which our bank was formed - to serve our Mexican-American community.

At the Annual Meeting on June 18, 1969, that group, headed by Dr. Max Offenber, knowing that proxies held by it had been declared "null and void" by the Comptroller of the Currency's office, took control of the meeting, abandoning parliamentary procedures and simple common fairness and decency, and by midnight succeeded in preventing a quorum from being established.

Immediately after the meeting, that group ousted Dr. Francisco Bravo, founder of the bank, from his position as Chairman of the Board. A succession of heavy-handed tactics has followed, including removal of Herman Sillas Jr. a Mexican-American, as legal counsel and replacing him with a non-Spanish speaking attorney unknown to the community, and replacement of various top Spanish-speaking officers, including Adrian Ortega as Vice-President of the bank.

The community knows full well who founded the bank and who guided it to approximately \$11 million in footings.

We know the shareholders will review the malicious charges made by the Offenber group, noting not only what has been said, but also who has made the charges.

The undersigned wish to state their constructive beliefs that:

1. A small Board would be less costly and more productive to the bank.
2. A younger, better educated Board would more energetically improve the bank's business.
3. A Board composed of people who are of the culture and know the needs of the Mexican-American community, speak their language, and live among them, will be more representative of the bank shareholders' interest, desires, and needs.

It is YOUR bank - support YOUR people.

The undersigned now wish simply to return the bank to serving its community. The only way to do that is to wrest control from the people who care so little for our community, and return it to those who do.

Our concern is that the bank remain a community bank owned by the community, directly by the community, and serving the community in its language and culture with its own people.

Please sign and date the red proxy form (in either Spanish or English) and return it to Mrs. Raul Morin, at 735 South Soto Street, Los Angeles, California 90023, in the envelope provided.

By voting the red proxy you will return direction of your bank to your community.

Very truly yours,

MRS. RAUL MORIN - Social Worker

GILBERT M. JIA, Business man - Paper Company.

YSHMAEL M. GARCIA, Jr. - Garment Manufacturer

Gilberto Reynaldo Vasques - Public Accountant

ERNEST R. FLORES, - Councilman -
Santa Fe Springs, Calif.

JOSEPH VIGIL, M.D. Physician & Surgeon

FRANCESCO BRAVO, M.D. - Physician & Surgeon

BENJAMIN FERNANDEZ - Economist

LUIS VILLA, O.D. - OPTOMETRIST

RAY ALBA - Business man - Office Equipment

RICHARD S. AMADOR - Administrator.

If you have already submitted a proxy for this meeting it will automatically be revoked by signing and submitting the enclosed Red Proxy Form .

DO NOT SIGN ANY OTHER PROXY.

PAN AMERICAN NATIONAL BANK OF EAST LOS ANGELES

PROXY STATEMENT (Not Published by the Bank)

This Proxy Statement is furnished in connection with the solicitation by certain shareholders of Pan American National Bank of East Los Angeles ("Pan American") of proxies for use at the Annual Meeting of Shareholders to be held Thursday, November 13, 1969, commencing at 7:00 o'clock P.M., at the Pan American National Bank Building, 3626 East First Street, Los Angeles, California. Said shareholders are soliciting proxies and publishing this Proxy Statement because of their vehement disagreement with a group within the Board of Directors, apparently led by Dr. Max Offenbergl, which has taken over direction of Pan American.

THE COMMON STOCK

As of this date, the number of shares of common stock of Pan American (the "Stock") outstanding and entitled to vote at the Annual Meeting is 140,900 shares. Only those shareholders of record at the close of Business October 31, 1969, are, by resolution of the Board, entitled to vote at the Annual Meeting.

SIZE OF BOARD OF DIRECTORS

The Articles of Association of Pan American provide that the number of directors to be elected at the shareholders' meeting will be determined by the vote of the shareholders. The Articles also provide that the Board may, between shareholders' meetings, select up to two additional persons to serve as directors, thus increasing the size of the Board by not to exceed two. Presently there are sixteen directors.

At the Annual Meeting a resolution will be offered by the so-called "management group" establishing the number of directors at seventeen. The undersigned directors very much disagree with that proposal. It is our feeling, judging from experience during the past years, that a seventeen-man Board is cumbersome, inefficient and costly. We are aware of no other bank of our size having a Board as large as seventeen. Most such banks have five to eleven directors.

At the regular meeting of the Board of Pan American held April 21, 1969, a majority of the directors resolved that the size of the Board be reduced to nine, but two weeks later, at a meeting hastily called by that group of directors now

dominating the Board, the group voted to fix the size of the Board at seventeen, apparently to save and perpetuate their own positions on the Board. This question is so important that we have decided to put the matter to you, the shareholders. We urge that the size of the Board be fixed at a workable and efficient number, without regard to what entrenched director might thereby be relieved of his office. The proxies solicited hereby will be voted against fixing the size of the Board at seventeen (and against any similar proposal), and in favor of establishing the number of directors at eleven. In the interests of a more efficient and economical bank, your support of our position on this matter is earnestly requested.

ELECTION OF DIRECTORS

Re-election of the group proposed in the so-called "management proxy" is not, in our opinion, in your best interest as a shareholder. Neither the general philosophy nor the methods employed by them warrants your support. We are therefore recommending the election of eleven hard-working individuals selected on the basis of their understanding of the community, their long years of work and performance within the community, and their identification with the majority of the shareholders of Pan American by way of language, culture and location. The proxies solicited hereby will be voted in such a way as to secure the election of as many of the following eleven nominees as is possible:

1. Mrs. Raul Morin, social worker, 1280 Cresta Vista Drive, Monterey Park, California, together with members of her family residing with her, owns beneficially, directly or indirectly, 1,000 shares of the stock. She owns no stock of record beneficially for others.

2. Mr. Gilbert Mejia, owner of Signet Paper Company, 16203 East Dalark, La Puente, California, together with members of his family residing with him, owns beneficially, directly or indirectly, 2,350 shares of the stock. He owns no stock of record beneficially for others.

3. Mr. Yshmael M. Garcia, Jr., owner of Henry's Fashions of California, 701 Ave. De La Merced, Montebello, California, together with members of his family residing with him, owns beneficially, directly or indirectly, 650 shares of the stock. He owns no stock of record beneficially for others.

4. Gilberto Reynaldo Vasquez, Certified Public Accountant, 1921 South Date Avenue, Alhambra, California, together with members of his family residing with him, owns beneficially, directly or indirectly 200 shares of the stock. He owns no stock of record beneficially for others.

5. Mr. Ernest R. Flores, Civil Engineer, 9237 Morrill Avenue, Santa Fe Springs, California, together with members of his family residing with him, owns beneficially, directly or indirectly 200 shares of the stock. He owns no stock of record beneficially for others.

6. Joseph Vigil, M.D., Physician, 825 North Indian Hill Boulevard, Claremont, California, together with members of his family residing with him, owns beneficially, directly or indirectly, 200 shares of the stock. He owns no stock of record beneficially for others.

7. Francisco Bravo, M.D., Physician and Surgeon, 620 South Workman Mill Road, La Puente, California, together with members of his family residing with him, owns beneficially, directly or indirectly, 15,763 shares of the stock. He owns no stock of record beneficially for others.

8. Mr. Benjamin Fernandez, Economist, 19913 Blackhawk Street, Chatsworth, California, together with members of his family residing with him, owns beneficially, directly or indirectly, 200 shares of the stock. He owns no stock of record beneficially for others.

9. Luis Villa, O.D., Optometrist, 564 Berkeley Street, San Marino, California, together with members of his family residing with him, owns beneficially, directly or indirectly, 200 shares of the stock. He owns no stock of record beneficially for others.

10. Mr. Ray Alba, 811 East Compton Boulevard, Compton, California, together with members of his family residing with him, owns beneficially, directly or indirectly, 100 shares of the stock. He owns no stock of record beneficially for others.

11. Mr. Richard S. Amador, Executive Director of Community and Human Resources Agency, 315 De La Fuente Drive, Monterey Park, California, together with members of his family residing with him, owns beneficially, directly or indirectly, 200 shares of the stock. He owns no stock of record beneficially for others.

THE SOLICITING SHAREHOLDERS

The cost of this proxy solicitation, the amount of which is now known, will be borne equally by the above-mentioned eleven nominees, who have caused it to be published.

REMUNERATION OF MANAGEMENT

We are advised by the Management of Pan American that the direct aggregate remuneration paid to all officers of Pan American, as a group, during the year ended April 30, 1969, amounted to \$116,990.58, and that no amount was set aside or accrued during the year ended April 30, 1969, for pension or retirement benefits to be paid in the event of retirement with respect to principal officers.

CONCLUSION

In good conscience we cannot stand by while a power-hungry, unresponsive group continues to perpetuate their own positions and to direct Pan American's activities along lines not in your best interests. Your support is therefore earnestly solicited. You are urged to date and sign the red proxy form which accompanies this Proxy Statement and return it immediately in the envelope provided.

Very truly yours,

Mrs. Raul Morin

Gilbert Mejia

Yshmael M. Garcia, Jr.

Gilberto Reynaldo Vasquez

Ernest R. Flores

Joseph Vigil, M.D.

Francisco Bravo, M.D.

Benjamin Fernandez

Luis Villa, O.D.

Ray Alba

Richard S. Amador

DATED: October 28, 1969.

MEMO

N.R.N.

(7)

From the Desk of

CHARLES A. SPEARS

+

NOV 10 1969

GENERAL

FI 2

BRUCE HANLOW
congratulations
on cabinet Assignment!

Please consider
THOUGHTS based on 33 YRS
experience in BANKING
with emphasis on HISTORY
and economics!

BEST WISHES
FOR REFORMATION!

Charles Spears

RECEIVED

NOV 25 1969

11 / 6 / 69

60 Years Ago

USE OF AIRSHIPS

It is now proved that men can fly pretty much as they will. They can fly a hundred miles or so without becoming wing-weary and at a rate of speed that the auto can not match. But the question that pesters a utilitarian age is what are the airships likely to be good for?

As a rich man's toy they seem to be par excellence, more costly doubtless than the auto and having perilous possibilities

60 Years Ago

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As a rich man's toy they seem to be par excellence, more costly doubtless than the auto and having perilous possibilities at least as great. But what service do they provide?

Every war board has made some requisitions for a few. For what? Not as engines of destruction. For although it might be possible when the elements are propitious to hover over an enemy in the dark and pelt him with lyddite bombs, a civilization that has forbidden the dum-dum bullet could hardly countenance the use of airships in such a way.

So far, airships can be regarded merely as a toy of uncertain value and as an implement of war of uncertain resource. One with a fancy may prefigure the airship a vehicle of Mercury. But even in that capacity it could serve as communication only with communities which the railroad, the trolley, the auto, the telegraph and the telephone have not yet found out. And that number of communities is very small indeed.—From Dallas News editorials of Sept. 6, 1909.

FROM: Charles A. Spears
TO: Whom It May Concern
SUBJECT: Economic Advisors

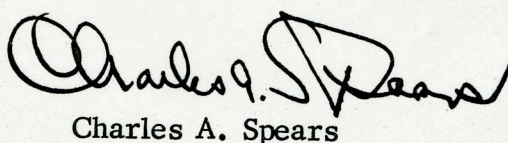
Political advisors and presidential counselors seem to learn early that in order to rise in the rigid power structure their theories should compliment the 1914 philosophy of the relatively small hierarchy of the American seven bank determinate. Since 1953 they have resold our souls to the 1914-1933 rule makers. This game (or games) we have set up results in a fumbling---stumbling---fool's play that worships theory (suing outmoded philosophy)--ignores facts--and abhors critical or creative analysis based on historiographic projections. Nominations are in order for history to record in its "Hall of Fame" those who have contributed most to our mania for monetary-military economic suicide:

Ike D. Eisenhower
John Foster Dulles
Allen Dulles
Milton Friedman
Paul McCracken
William McChesney Martin
Arthur F. Burns
Walt Rostow
Dean Rusk

Just recollect for one minute that 1% of the banks (New York centered) control 94% of banking resources--100 corporations control 50% of the U.S.A. industrial capacity and these same executives control the privately owned Federal Reserve and in effect select the Joint Chiefs of Staff and name the executive department advisors.

Surely these people must realize that it took one million years to reach the present world's population--yet in the just 30 years left to us in this 20th century there will be a gain of that much population again; that recent science has in this accelerating communication stage of industrial revolution outmoded the phase of scarcity economics and nationalistic power by force of arms; that our banking system is inferior to Japan and our military structure inferior to German expertise. Reformation is in order. in fact, 17 years past due.

With regret,



Charles A. Spears

P.S.: One should not criticize without offering constructive thought. There are four basic and easily achieved solutions:

1. Sell the Federal Reserve stock to the Treasury Department, make bank membership voluntary, and start a system of discounting production loans like Japan which will exceed the U.S.A. in per capita product by 1978.
2. Total unification of the military like the German system with one school, one uniform, one service, one budget limited to 20% of Federal funds--and concentrated on missile-satellite science which has made conventional weapons (ships and planes) totally obsolete.
3. Adopt a system of political campaign financing that will free our elected top executives from ass-kissing the 200 or 250 families who donate to their election. (i.e. 20 million \$ to Nixon alone in 1968).
4. Computer program our economic system to go for maximum industrial production for use--complimented by an insured distribution system based on the guaranteed minimum wage principal of surplus economics; (i.e. approximate farm production per capita up 100% and price down 200% since 1918 with 500% less labor proportionately engaged).

FROM: Country Banker
TO: Letters to the Editor
SUBJECT: About Inflation

Quote recent authority "If inflation is to be checked business will have to recede." This is an inadequate explanation and false economics concerning real inflation.

There are two kinds of production:

1. Production for use--which must be increased rapidly to stop increasing prices of constantly growing consumer demand. Any checking of this "use production" phase of economic structure is creating the certainty of more inflation over a much longer time. Example: Farm commodity prices some fifty years ago were 20 to 200 per cent higher than now. (Morgan Guaranty-Trust Price Index).
2. Production for monkey business of "make-work"--which has resulted in 20 per cent of all employed males and females between age 20 and 65 being used in (non-use production) military and space. The actual number of uniformed personnel in the military since 1962 has increased 75 per cent, civilians attached thereto 100 per cent, and those in the manufacture of military hardware about 30 per cent. This creates impossible surplus of demand with no offsetting supply.

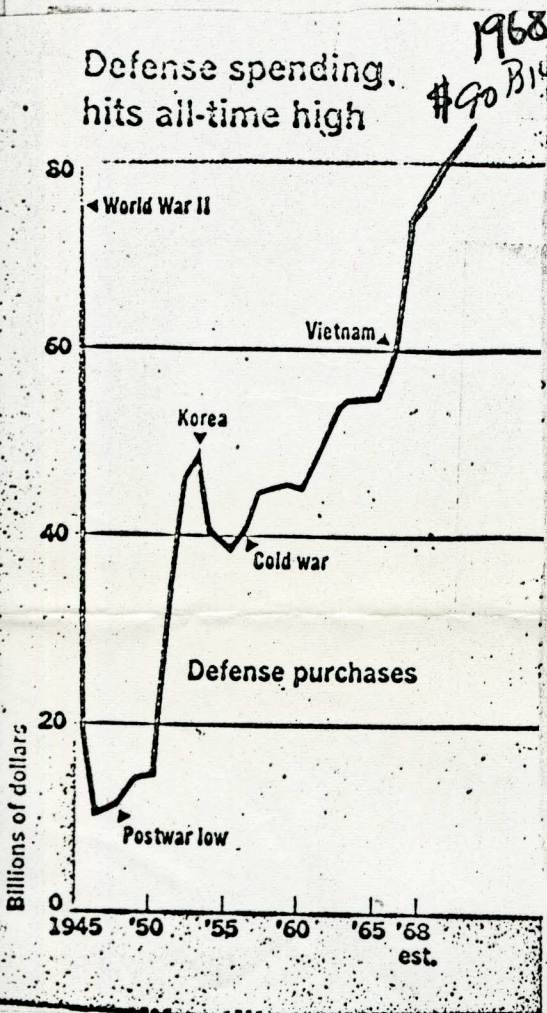
The U.S.A. population increased 20 million in the last 10 years and will increase 30 million in the next 10 years-- so you can see that money restrictions now on the verger of a panic circumstance will not stop inflation. There should be a public demand that wages and prices be frozen for 18 months while military personnel and spending is being cut back to 1962. Then expand the money supply back to 50 per cent of G.N.P. where it was from Roosevelt to Eisenhower (20 per cent now) and pour every possible dollar of savings into drastic increase in production for use. Japan and Germany understand this real economics of an adequate money supply relating to increase in production--and they therefore have no unemployment, no illiteracy, no ghettos, no unbalanced budget, and no weak money. The banks in Japan, by discounting at a central bank, can make more production loans than they have deposits.

Demand Reformation Now,

Charles A. Spears

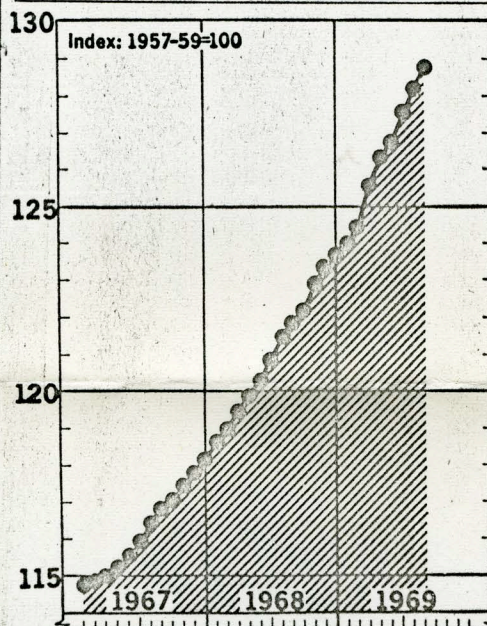
Charles A. Spears
Sherman, Texas

Defense spending.
hits all-time high



SEPTEMBER 23, 1969

Consumer Prices Up

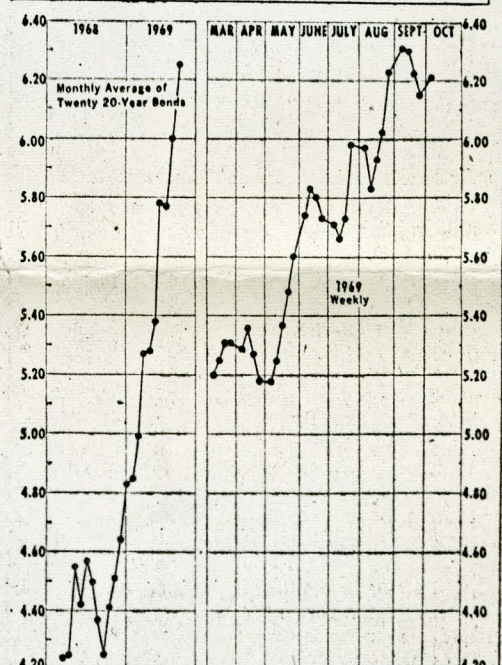


CONSUMER PRICES in August rose to 128.7% of the 1957-59 average from 128.2% in July. It was the 48th consecutive month without decline, the Labor Department reports. (See story on page 3.)

Markets

12/12/69

Municipal Bond Yield



THERE IS "SOMETHING ROTTEN IN DENMARK"
What To Do About It

There is no way to stop the fact that historians will soon be recording the proof of the folly of the great Dulles brothers' promotions; and the military atrocities will be on film that we will not be able to deny in regard to the peasants and the treatment they received in South Vietnam where more bombs were dropped than on all of Europe in the Second World War. We will have these conspiracies to account for:

1. Bay of Pigs
2. U-2 incidents
3. Diem execution
4. The Tragedy of Greece
5. The Tonkin Gulf
6. The Pueblo Incident
7. The Green Beret Case

Not to mention the:

8. 500% over-contract "graft" on military hardware.
9. 30% of military being draftees suffering 90% of casualties.

These generally have been done with secrecy and sometimes with abductions, bribery, murder, and Mafia tactics. The intended purpose seems to be to export military repression--and there is only one democracy left in South America today.

Our military-monetary mania is big business sponsored starting with dear old Ike Eisenhower who brought in the Dulles brothers, turned over the open market Treasury Bond operation to the Federal Reserve, started the super-power Pentagon game, initiated the Man from Uncle C.I.A. craze, and brought on extraordinary popular delusions which have not been equaled since the Crusades or the Inquisition. Dean Rusk and Walt Rostow magnified these delusions to bring President Johnson to his downfall.

Three autonomous agencies have seized power and run amuck with the ultimate result being certain loss of opportunity to this U.S. of A. These three agencies are the privately owned Federal Reserve, the excessive professional military expansion of the Pentagon, and the absolute morosity of the C.I.A. Mr. Roosevelt took away the powers of the Federal Reserve and Mr. Eisenhower gave it back. The tragic results you can see--the esoteric motivation is more complicated?

Recollect that 1% of the banks have 94% of the resources, or better projected, 99% of the banks have a devastating 6% of the resources while 100 corporations closely related to the 1% control 50% of the industrial production. Now in unconcealed eagerness due to the monetary crisis the rich wolves and the giant vultures are hanging over to gobble up distressed small business cut off from credit sources.

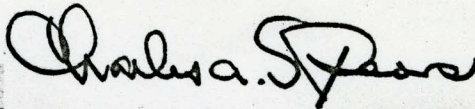
The money shortage is bankrupting the housing industry, eliminating the conventional method of financing business by long-term bonds, and destroying the source of funds for hospitals, schools, and all public services. It is not stopping the inflation caused by 20% of work force between 20 and 65 being tied up in non-use production of space and military. At the present rate of Treasury Bonds (8%+) the federal debt will cost 32 billion per year.

What are the solutions to these self-inflicted big business enigmas:

- A. Short-term
 1. Freeze wages and prices
 2. Get military numbers and spending back to 1962.
- B. Long-term
 1. Sell all the Federal Reserve stock to the Treasury Department
 2. Unify the military into one service with one school.

The alternative--keep up these present structures and philosophies to potentialize domestic insurrection and insure international revolution.

Regretfully,



Charles A. Spears
Country Banker
Sherman, Texas

6 THE WALL STREET JOURNAL, Thursday, October 2, 1969

*Thrift Institutions Apparently Hard Hit
By Outflows as Savers Seek Higher Rates*

FROM: An Old Country Capitalist
FOR: My Own Contemplation
SUBJECT: Reformation

There are ages of insanity reflecting the fantastic extraordinary popular delusions of ordinary man. The worst of these obsessions seem to last for about 200 years--as in the case of the Crusades (12th through 13th century) or as in the case of the Inquisition (15th through 16th century). The cost of these transgressions of man against reason is almost beyond conception. Our present age of insane mass militarism beginning with Napoleon in 1808 potentially has 36 more years to make its 200 year mark.

Napoleon was responsible for the slaughter of 10 million men. Our Second World War saw some 60 million murdered--mostly civilians killed by air power. In 1909 the Dallas News said "A civilization that has outlawed the dum dum bullet could hardly countenance the use of air ships as engines of destruction".

The loss of all uniformed personnel (killed) to the U.S.A. in World War II was 290,000--yet our planes in just three nights over three towns in 1945 killed 360,000 non-participants. In the whole war the Russians lost some 12,000,000 and the Germans some 10,000,000. War is more and more the professional militarist against defenseless civilians--women, children, and old people. The Vietnam circumstance is no exception. Recent quote "We have to destroy them in order to save them". What an unmitigated lie! With 25% of children orphaned--we have put Christ back on the cross of military execution.

The Joint Chiefs of Staff are the chosen elite--when you have got there you are God Almighty in the flesh! Before that, after you have reached the fraternity's proven point, you can make no mistake--i.e. General Mark Clark who with dedicated abandon slaughtered the entire 36th Division at Rapido River. When threatened with Congressional investigation "Brother" Clark was promoted to Chief of Staff.

I have been waiting for 25 years to hear one small voice of authority ask about Tarawa or Iwo Jima--those sadistic, useless, bloody Pentagon slaughters of American boys?? Today in Vietnam 30% of the force are teenage draftees yet they suffer 90% of the casualties--why??--why?? Weekly deaths of 200 are the parts you hear about--you don't hear of the 1,500 hit each week with the small high-speed bullet--many would be better off dead, for the new projectiles on contact start tumbling to mangle flesh and bone in a comparable manner to the soft-nosed 30-06 deer rifle bullet.

The basic cause of war is professional militarism carried to the excess--that Tonkin Gulf incident was fabrication and fraud that you can ask Lyndon Johnson what he thinks of now--ask General Short and Admiral Kimmel about Pearl Harbor--ask William Randolph Hurst about the Spanish-American battleship Maine--ask Abraham (Spotty) Lincoln about the Mexican War and so forth and so forth. Men and rats are the only mammals that kill their own kind--and rats do it only when they are starving!

We have three professional military schools. This is two more than we need to turn out a surplus of these fat-backed admirals and generals of whom we have 10 times more today than we need. Their ignorant schoolboy rivalry is costing hundreds of billions in waste and obsolescence.

Yesterday the Senate voted another 750 million dollars for another aircraft carrier that couldn't last 20 minutes against any sophisticated enemy with heat-seeking missiles. And those three recent Air Force contracts that have run 500% overbid--one could understand 50% but 500% is pure collusion and a fraud against reason. There are 370 fulltime Pentagon lobbyists blackmailing our 530 such intelligent Congressmen, and there are 2000 high military retired "working" for manufacturers of military hardware. NONSUCH since Spain bankrupted herself in Elizabethan times!

Today in both Germany and Japan there are no slums, no unemployment, no illiteracy, and no unbalanced budget. Quote Chancellor Kissinger of West Germany "We spend 20% of our federal budget to raise the level of the bottom 20% of the economic structure--this is the way to combat communism. Communism cannot be stopped by force". Contrast this to U.S.A. which spends (not counting Social Security) 4% of its federal \$ on welfare and 65% on military in 1968. There are 20 million people in the U.S.A. below subsistence level and 4 million in abject poverty. In Texas there is 20% illiteracy. Who cares?

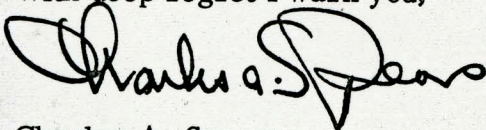
I was born in 1914--the days of my years are running by and out; and I am getting more distressed each day about our U.S.A. policies. How can we go on in this calloused and unconcerned way--golf, football, boating, and so forth? Ask President Richard (McCauber) Nixon why, when, who, what, and how? Write him directly now--you must.

Today--with just 30 years left in this 20th century the question is not capitalism or communism but rather production for use. The backward world is starved for industrial development while we (in our self-imposed money shortage) import capital from it. The situation cries for democracy--while we export military repression until there is democracy destroyed even in Greece where it started 3,000 years ago.

Communism is an outmoded anachronism of 1848--Russia having 50% of her people still on farms in 1968 versus 5% for the U.S.A. Capitalism is no longer the 1870 robber baron acquirers--and in no name should we ever back the Mafia dope peddler "Capitalist" as we are in Saigon today.

Science has since about 1950 given us the opportunity for both an end to untenable war and to a beginning of surplus economics. I say the Joint Chiefs of Staff in their myopic-ignorance will not tolerate either concept until we confine them to one service, one school, one limited budget, one purpose of defense. God help this world if we do not! And to hell with that John Foster Dulles Super-power Pentagon game and that Allen Dulles Man from Uncle C.I.A. mania! We must demand reformation now or we underwrite possible insurrection at home and certain revolution abroad.

With deep regret I warn you,



Charles A. Spears

P.S.: With three satellite radio communication and one radio for every four people--it is theoretically possible to communicate with every human on earth. What are we saying?? Dare we tell them that in 1968 alone we spent 90 billion dollars on military--enough to double the industrial investment of two entire continents (Africa and South America) in 30 months? Russia will do nothing or say nothing to divert us from this path of self-destruction and defeat--and they will use every subterfuge and diversion to keep us on this immoral and insane track. The Russians have no overseas bases--we have 2000.

30 THE WALL STREET JOURNAL, Thursday, September 18, 1969

Treasury Offers Interest Up to 8% On Notes in \$8.9 Billion Refinancing

Officials Also Say More Cash
May Be Needed to Cover
Spending Surge, Tax Lag

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — The Treasury offered interest rates ranging up to 8% on three new issues of notes in exchange for \$8.9 billion of securities maturing in the next few months.

Officials also said the Treasury soon may have to borrow more new cash than anticipated because of a smaller than projected gain in corporate taxes and an unexpected surge in Federal spending.

The 8% interest rate on the new rates is the highest on a comparable Treasury security since 1859, when rates ranged up to 12% on some issues, the Treasury Under Secretary for Monetary Affairs, Paul A. Volcker, said. The 7.75% coupon on 18-month notes issued Aug. 15 previously had ranked as the highest since that pre-Civil War peak.

The Treasury offered a choice of these new issues, all to be dated Oct. 1:

—A 19½-month note carrying an 8% coupon at par, to mature May 15, 1971.

10% or less of the maturing issues were exchanged for cash.

Market professionals guessed there might be a very heavy demand for the longest maturity of the three new 7½% notes, which they said had been priced particularly attractive by the Treasury in an attempt to "stretch" the average life of the Government's debt. The actual yield of 7.59% on these notes was far more liberal than anticipated; beforehand, the industry had widely predicted a fresh seven-year note to return "more than 7.40% though certainly less than 7.50%."

This elation over the 7.59% yield was, however, heavily tempered by a suspicion among at least some dealers that the lofty return possibly carried significant implications in regard to the Government's anti-inflation credit policies. Federal monetary authorities may well have designed the lucrative terms to ensure that additional funds will be drained from the private sector, several specialists reasoned.

"The 7.59% yield likely will attract a lot of money away from the various savings institutions, and thereby cause a further slump in the housing industry and other mortgage areas," one specialist asserted. "Both the Treasury and the Federal Reserve System are well

PRICE LIST

Major companies announced the following price increases last week.

Automobile tires up 2½%. Refrigerators, ranges and freezers 3%. Office copying machines 3½%. Wholesale ground coffee 4%. Newsprint 4%. Heating and air-conditioning units 5%. Flexible cartons 5% to 9%. Jet airplane engines 5% to 10%. Gas turbines 7½%. Rubbish-bag grades of polyethylene film 9%. In New York, a state court approved a 43% rise in Blue Cross insurance rates. American Telephone & Telegraph asked federal approval of a \$69 million rate increase on its office private lines and teletype services.

TIME, OCTOBER 10, 1969

FROM: Charles A. Spears

7-8-69

TO: Letters to the Editor

SUBJECT: Monetary Reformation

Andrew Jackson in the distressing 1830's almost ruined this nation's future in his antagonism toward a government bank and national currency. But there never was any logical reasons for a U.S. central bank to be privately owned. Ours since 1914 origin likewise should have been government owned--as we follow British precedent in all things monetary and financial. No other nation excesses the idea of private banking to such a negative degree.

We partially got off of this sad hump in 1933 after the unnecessary tragedy of depression that the privately owned Federal Reserve policy greatly contributed to. In 1933 Roosevelt took away the strongest one of the three Federal Reserve powers--Eisenhower in 1953, at New York Bank insistence (1% of the banks now in the U.S.A. control 96% of the resources), gave back the "open market" Treasury bond support--and by 1962 we had dried up money from 50% of Gross National Product to 30% with the result that we were 45th amongst the nations in annual economic gain.

Now the present monetary policy, begun about 1953 by William McC. Martin and his economic worship of the Chicago school philosophy (Milton Friedman) that monetary policy is superior to fiscal policy, has brought us to a 16 year climax where interest rate on Treasury Bills has gone from less than 1% to over 6% and money supply has declined from 50% to 20% of Gross National Product. Today U.S.A. banks are paying European banks 13% for short-term money.

The total result resembles a form of economic suicide whereby the expansion of production for use has not kept pace even with our 20 million population increase of the last 10 years--a 20 million shortage in housing is tragic and getting progressively worse--a deficit supply of product has brought a sick inflationary public philosophy--a loss of favorable foreign trade balances--incapacity to meet domestic insurgency of social discontent considerably due to this negative economic policy--until today it is virtually impossible even for municipal and school projects to be funded.

The extreme immorality of our time is that the money shortage is causing this nation to I M P O R T capital from a world in revolt for need of industrial investment. The Russians couldn't run this country more to their advantage than we are doing in following the Friedman-Martin school. We are losing the real war which is in the economics of this communications stage of industrial revolution that Francis Bacon's "science" projected in 1620 and which did not start until 150 years later when power was first applied to machines. At long last science (C. 1950) has made war untenable and surplus economics possible--at the same time.

What have we been doing for 20 years--non-such since Elizabethan Times when Spain bankrupted herself--unless our Dulles brothers decline might be also likened in effect to that extraordinary popular delusion of John Law's monetary madness that bankrupted France in the late 18th century.

Our re-evaluated socio-economic structure must have a determined Reformation without delay--or we (not Russia) will insure a worldwide revolution for the last one-third of this century.

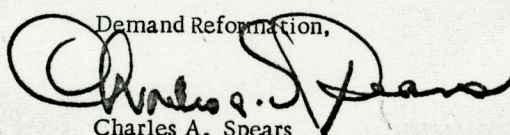
As far as monetary policy goes there are four basic changes required to free money for positive use to achieve this real opportunity for surplus economics that science has given us:

1. Eliminate useless abacus of gold by computer evaluation of foreign exchange--start by totally removing the guaranteed price--let the Arabs have it all.
2. Let the Treasury Department purchase all of the Federal Reserve stock and computer analyze and determine fiscal policy (of which money is only a part) to achieve positive effect of encouraging maximum production.
3. Make membership voluntary in the central bank (F.R.) and concentrate its service to discounting loans for production. Every bank will soon be eager to join.
4. Insure a basic minimum living standard to all people in this U.S.A. by guaranteed annual wage--and--start exporting know-how and capital assistance on a massive scale regardless of the politics of the foreign recipients. We spent in 1968 enough on militarism to in 36 months double the entire industrial investment of two entire continents (Africa and South America). T H I N K ! !

We must recognize that Communist revolution is an archaic anachronism of 1848. It is ^{to} the communication revolution of 1968 that we need to address ourselves. Military repression is not the solution--our policies (Dulles brothers) have destroyed democracy even in the place where it originated some 3000 years ago (Greece).

If money is approached in a logical way we can see that it is basically and simply only a medium of exchange--not necessary for it to have the esoteric connotation of black magic of the so-called international authorities--they (especially the Swiss bankers) are basically fakes and montebanks of comparable morality to the necromancers and the alchemists of the middle ages--interested in promoting what favors their selfish and crooked interests.

By comparison--the Japanese are using money in a positive way through a central bank organized 44 years before ours--and since 1950 their annual economic gain has approximated 9% compared to our 3%. So this nation practically without natural resources will by 1980 surpass our U.S.A. in per capita product--because of positive approach to money whereby the banks in Japan can make more loans than they have deposits by discounting privilege at their central bank.

Demand Reformation,


Charles A. Spears
Banker for 33 years
Grayson Bank Chairman
Sherman, Texas

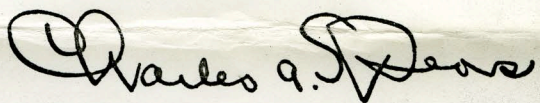
FROM: A Tired Old Banker
TO: President Richard M. Nixon and Others
SUBJECT: A New Military Direction

We believe that our U.S.A. military structure can be strengthened by reformation and modernization. We are not asking that the military profession be reduced in authority or ultimate power. We are asking for evaluation, consideration, and action to:

1. Immediately get the number in service to that number that was in service in 1962--or from 3 1/2 million to 2 million regardless of the Vietnam finagling--as long as this number is not less than that of the second power in the world.
2. Adaption of professional German (1940) type total unification of services with one superior school for career officer training--taking only top students with two year previous college experience.
3. That all overseas bases be re-assessed in consideration of the changes occurring during the last 24 years--some strengthened, some reduced, and a considerable number eliminated--after using sophisticated analysis of Brookings Institute and two other similar scientific professional analysts.
4. That research be directed (by the unbiased space program scientists) to perfect a mini-missile program where small, heat seeking, long-range, conventional-head types would change our entire hardware concept. Recent ABM testimony indicates this would be basically a simple project--if not obviated by conventional militarists and manufacturers.
5. That the General Staff in the Pentagon direct research to potential use of military brains in peacetime for positive domestic needs as they have in a small way in the past. (i.e. more rivers and harbors type planning and execution directed at air and water pollution, cleanup, etc.)
6. That the C.I.A. be put under the military budget and control--and all activity be confined to information gathering. And that all other international political decisions be returned to State Department people--trained in two new schools for that purpose (i.e. peace by international law and international economics)
7. That Pentagon fulltime congressional lobbyists be reduced to 60 or 70 (one for every five congressmen) and that retired contracting officers take jobs only with corporations that they have not previously executed orders with.
8. That by act of Congress--it should be forever established there can be no draft without declared war and no declared or non-declared war involving over 10% of the eligible work force (in military and manufacture of hardware) without automatic freezing of wages and prices for the duration of hostilities.

In return for these reforms--the Pentagon is to be guaranteed for the balance of this century an annual peacetime expenditure of 22% of the Federal income (not counting Social Security) or 4% of the Gross National Product whichever is greater--to use as the General Staff sees fit. This would be a larger (annually increasing) long-term commitment of money than any nation in the world's history has ever made to military.

Respectfully,



Charles A. Spears
P. O. Box 430
Sherman, Texas 75090
Banker for 33 Years

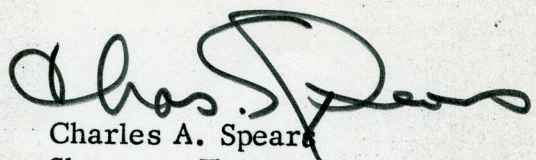
TWO CHOICES IN THE YEARS AHEAD
Economic Affluence or Apocalyptic Holocaust

The American public generally does not understand the folly and danger of the modern military mind against reason and peace. Napoleon started mass militarism where large armies slaughtered each other (10 million lost from 1806 to 1814). Then by the Second World War the mayhem had been turned on civilians with air power to murder non-participant women, children and old people. As proof--in 1945 in just three nights we slaughtered in only three towns some 360,000 non-participants--yet in the entire war in both Pacific and Atlantic we lost (killed) only 290,000 uniformed personnel while some 60 million people were being killed in the world. This potential philosophy of mass genocide was so little understood that in 1909 the Dallas News said "civilization that has outlawed the use of the dum dum bullet could hardly countenance the use of air ships as engines of destruction".

Now science has given mankind two great, and as yet not publicly recognized, gifts:

1. Atomic power, which gives us a source of energy to replace the rapidly depleting petrol energy, and which makes most conventional weapons of war as useless as tits on a boar hog. Those 750 million \$ aircraft carriers the taxpayers are buying are totally without reason--for satellite reconnaissance can give within one second of latitude and longitude their exact location, so that heat-seeking missiles can blast them into oblivion within 20 minutes. All other surface and air conventional World War Two weapons are of the same relevance.
2. It has given the capacity for the first time in the world's history to have a surplus economy--which generally means that distribution and not production is our problem now in these U.S. of A. The old "work culture" of our puritanistic and prejudiced ancestors--is being replaced of necessity by a circumstance of automation and computer technology whereby the privileged will be those who have "work". This means the idle rich will be joined by the idle poor.

And this happens at a time when in the next 30 years the world population will gain more than it did in the last one million years. This means that industrial technology must be adapted to expansion and use in the next 30 years as our farm production has been in these last 50 years during which farm population declined from 50% to 5% while prices of product, because of scientific production, declined from 20 to 200 per cent of 1918 prices (Guaranty-Trust price index).


Charles A. Spear
Sherman, Texas
September 30, 1969

November 5, 1969

FROM: Charles A. Spears
TO: Letters to the Editor of the Dallas Morning News
SUBJECT: "Not So Solid"

There are several points about war being missed in your Vietnam discussions:

1. Our presence there rescued an obscure people from almost total oblivion--and neither North nor South can tolerate our leaving.
2. The 30% of our uniformed personnel there are draftees who suffer 90% of the casualties--this is the evil of the buck-passing professional militarism.
3. There are 3 1/2 million now in the military versus 2 million in 1962--nearly all opposition would stop if draftees (plus teenagers who volunteer to avoid the draft) would be withdrawn. Why not let the ample number of professionals we have and even mercenaries--fight this useless war?
4. Capitalism in South Vietnam is a Mafia type operation--crooked Chinese businessmen, who are the chief opium traders of this world, own everything. They live in a walled off compound in Saigon and are hated by the people.
5. As long as 2 years ago more bombs had been dropped by the U.S. Air Force on South Vietnam than on all of Europe by both sides in the Second World War. Obviously to help our friends "we have to destroy them--in order to save them".



- 2 -

6. We now have 20% of our eligible work force between 20 and age 65 tied up in a program of militarism largely dedicated to weapon systems now outmoded by atom-missile-satellite science.
7. Inflation which is caused by military non-use production--cannot be stopped by a monetary mania based on 1914 theories re-introduced by Eisenhower in 1953 after Roosevelt had removed the Federal Reserve power in 1933.

In summary the Dallas News and other papers have failed to inform the people on basic "war" issues so that most all of the dissention, and it is uniform, is coming from the intellectual community--those that Wallace called pointy-headed and Agnew called snobs.

Regretfully,

Charles A. Spears
Banker for 33 years

gh
GENERAL

FI 2

EHRlichman, JOHN D. /mag-rec'd/S*

November 11, 1969

Dear Mr. Spears:

John Ehrlichman has asked me to express his appreciation for your note of November 6th and to thank you for your congratulations.

Your views are most interesting and we appreciate your concern.

Sincerely,

Tod R. Hullin
Administrative Assistant to
John D. Ehrlichman

Mr. Charles A. ~~Spears~~ *
Grayson County State Bank
Sherman, Texas

TRH:jlh

RECEIVED
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CENTRAL FILES

MEMO

From the Desk of

CHARLES A. SPEARS

John E. Holichman

CONGRATULATIONS
ON NEW RESPONSIBILITIES
ASSIGNED

FOR GOD'S SAKE — PLEASE
USE YOUR INFLUENCE FOR
REFORM OF THE ARCHAIC
CENTRAL BANKING SYSTEM —
THE SELF DESTRUCTIVE
MONETARY POLICY SINCE 1953 —
AND THE MILITARY MANIA
SINCE 1962. HERE ARE THOUGHTS
BASED ON 33 YRS IN BANKING
WITH EMPHASIS ON HISTORY + ECONOMICS.

@CS

11/16/69

60 Years Ago

USE OF AIRSHIPS

It is now proved that men can fly pretty much as they will. They can fly a hundred miles or so without becoming wing-weary and at a rate of speed that the auto can not match. But the question that pesters a utilitarian age is what are the airships likely to be good for?

As a rich man's toy they seem to be par excellence, more costly doubtless than the auto and having perilous possibilities at least as great. But what service do they provide?

Every war board has made some requisitions for a few. For what? Not as engines of destruction. For although it might be possible when the elements are propitious to hover over an enemy in the dark and pelt him with lyddite bombs, a civilization that has forbidden the dum-dum bullet could hardly countenance the use of airships in such a way.

So far, airships can be regarded merely as a toy of uncertain value and as an implement of war of uncertain resource. One with a fancy may prefigure the airship a vehicle of Mercury. But even in that capacity it could serve as communication only with communities which the railroad, the trolley, the auto, the telegraph and the telephone have not yet found out. And that number of communities is very small indeed.—From Dallas News editorials of

FROM: Charles A. Spears
TO: Whom It May Concern
SUBJECT: Economic Advisors

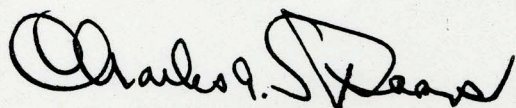
Political advisors and presidential counselors seem to learn early that in order to rise in the rigid power structure their theories should compliment the 1914 philosophy of the relatively small hierarchy of the American seven bank determinate. Since 1953 they have resold our souls to the 1914-1933 rule makers. This game (or games) we have set up results in a fumbling---stumbling---fool's play that worships theory (suing outmoded philosophy)--ignores facts--and abhors critical or creative analysis based on historiographic projections. Nominations are in order for history to record in its "Hall of Fame" those who have contributed most to our mania for monetary-military economic suicide:

Ike D. Eisenhower
John Foster Dulles
Allen Dulles
Milton Friedman
Paul McCracken
William McChesney Martin
Arthur F. Burns
Walt Rostow
Dean Rusk

Just recollect for one minute that 1% of the banks (New York centered) control 94% of banking resources--100 corporations control 50% of the U.S.A. industrial capacity and these same executives control the privately owned Federal Reserve and in effect select the Joint Chiefs of Staff and name the executive department advisors.

Surely these people must realize that it took one million years to reach the present world's population--yet in the just 30 years left to us in this 20th century there will be a gain of that much population again; that recent science has in this accelerating communication stage of industrial revolution outmoded the phase of scarcity economics and nationalistic power by force of arms; that our banking system is inferior to Japan and our military structure inferior to German expertise. Reformation is in order, in fact, 17 years past due.

With regret,


Charles A. Spears

P.S.: One should not criticize without offering constructive thought. There are four basic and easily achieved solutions:

1. Sell the Federal Reserve stock to the Treasury Department, make bank membership voluntary, and start a system of discounting production loans like Japan which will exceed the U.S.A. in per capita product by 1978.
2. Total unification of the military like the German system with one school, one uniform, one service, one budget limited to 20% of Federal funds--and concentrated on missile-satellite science which has made conventional weapons (ships and planes) totally obsolete.
3. Adopt a system of political campaign financing that will free our elected top executives from ass-kissing the 200 or 250 families who donate to their election. (i.e. 20 million \$ to Nixon alone in 1968).
4. Computer program our economic system to go for maximum industrial production for use--complimented by an insured distribution system based on the guaranteed minimum wage principal of surplus economics; (i.e. approximate farm production per capita up 100% and price down 200% since 1918 with 500% less labor proportionately engaged).

FROM: Country Banker
TO: Letters to the Editor
SUBJECT: About Inflation

Quote recent authority "If inflation is to be checked business will have to recede." This is an inadequate explanation and false economics concerning real inflation.

There are two kinds of production:

1. Production for use--which must be increased rapidly to stop increasing prices of constantly growing consumer demand. Any checking of this "use production" phase of economic structure is creating the certainty of more inflation over a much longer time. Example: Farm commodity prices some fifty years ago were 20 to 200 per cent higher than now. (Morgan Guaranty-Trust Price Index).
2. Production for monkey business of "make-work"--which has resulted in 20 per cent of all employed males and females between age 20 and 65 being used in (non-use production) military and space. The actual number of uniformed personnel in the military since 1962 has increased 75 per cent, civilians attached thereto 100 per cent, and those in the manufacture of military hardware about 30 per cent. This creates impossible surplus of demand with no offsetting supply.

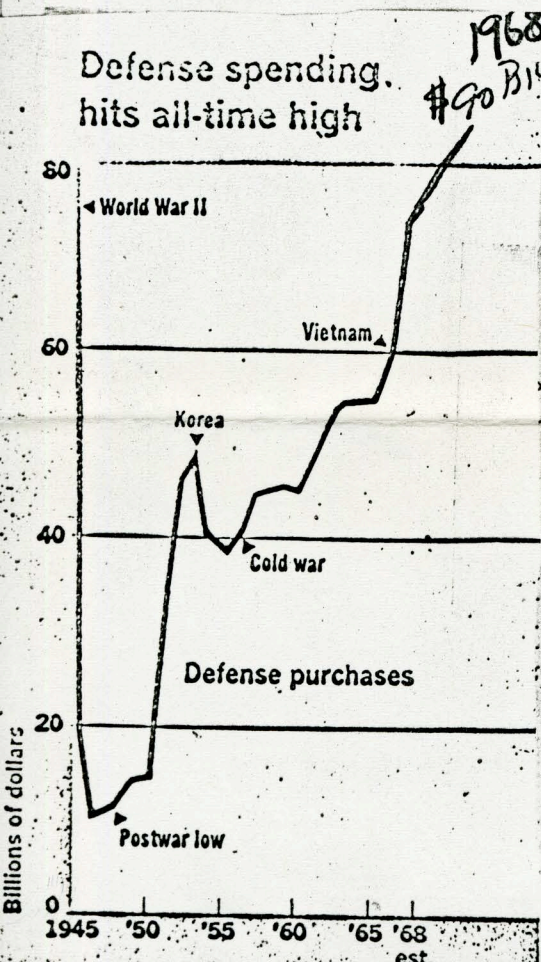
The U.S.A. population increased 20 million in the last 10 years and will increase 30 million in the next 10 years-- so you can see that money restrictions now on the verger of a panic circumstance will not stop inflation. There should be a public demand that wages and prices be frozen for 18 months while military personnel and spending is being cut back to 1962. Then expand the money supply back to 50 per cent of G.N.P. where it was from Roosevelt to Eisenhower (20 per cent now) and pour every possible dollar of savings into drastic increase in production for use. Japan and Germany understand this real economics of an adequate money supply relating to increase in production--and they therefore have no unemployment, no illiteracy, no ghettos, no unbalanced budget, and no weak money. The banks in Japan, by discounting at a central bank, can make more production loans than they have deposits.

Demand Reformation Now,

Charles A. Spears

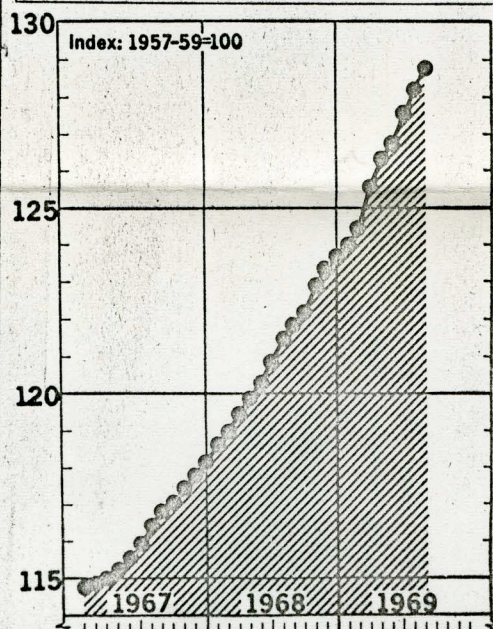
Charles A. Spears
Sherman, Texas

Defense spending.
hits all-time high



SEPTEMBER 23, 1969

Consumer Prices Up

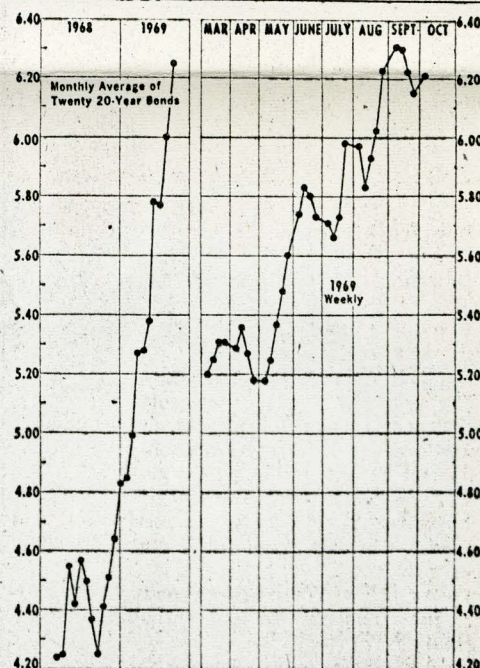


CONSUMER PRICES in August rose to 128.7% of the 1957-59 average from 128.2% in July. It was the 48th consecutive month without decline, the Labor Department reports. (See story on page 3.)

Markets

10/12/69

Municipal Bond Yield



THERE IS "SOMETHING ROTTEN IN DENMARK"
What To Do About It

There is no way to stop the fact that historians will soon be recording the proof of the folly of the great Dulles brothers' promotions; and the military atrocities will be on film that we will not be able to deny in regard to the peasants and the treatment they received in South Vietnam where more bombs were dropped than on all of Europe in the Second World War. We will have these conspiracies to account for:

1. Bay of Pigs
2. U-2 incidents
3. Diem execution
4. The Tragedy of Greece
5. The Tonkin Gulf
6. The Pueblo Incident
7. The Green Beret Case

Not to mention the:

8. 500% over-contract "graft" on military hardware.
9. 30% of military being draftees suffering 90% of casualties.

These generally have been done with secrecy and sometimes with abductions, bribery, murder, and Mafia tactics. The intended purpose seems to be to export military repression--and there is only one democracy left in South America today.

Our military-monetary mania is big business sponsored starting with dear old Ike Eisenhower who brought in the Dulles brothers, turned over the open market Treasury Bond operation to the Federal Reserve, started the super-power Pentagon game, initiated the Man from Uncle C.I.A. craze, and brought on extraordinary popular delusions which have not been equaled since the Crusades or the Inquisition. Dean Rusk and Walt Rostow magnified these delusions to bring President Johnson to his downfall.

Three autonomous agencies have seized power and run amuck with the ultimate result being certain loss of opportunity to this U.S. of A. These three agencies are the privately owned Federal Reserve, the excessive professional military expansion of the Pentagon, and the absolute morosity of the C.I.A. Mr. Roosevelt took away the powers of the Federal Reserve and Mr. Eisenhower gave it back. The tragic results you can see--the esoteric motivation is more complicated?

Recollect that 1% of the banks have 94% of the resources, or better projected, 99% of the banks have a devastating 6% of the resources while 100 corporations closely related to the 1% control 50% of the industrial production. Now in unconcealed eagerness due to the monetary crisis the rich wolves and the giant vultures are hanging over to gobble up distressed small business cut off from credit sources.

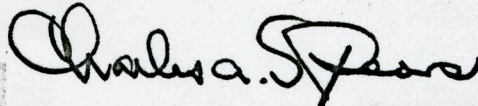
The money shortage is bankrupting the housing industry, eliminating the conventional method of financing business by long-term bonds, and destroying the source of funds for hospitals, schools, and all public services. It is not stopping the inflation caused by 20% of work force between 20 and 65 being tied up in non-use production of space and military. At the present rate of Treasury Bonds (8%+) the federal debt will cost 32 billion per year.

What are the solutions to these self-inflicted big business enigmas:

- A. Short-term
 1. Freeze wages and prices
 2. Get military numbers and spending back to 1962.
- B. Long-term
 1. Sell all the Federal Reserve stock to the Treasury Department
 2. Unify the military into one service with one school.

The alternative--keep up these present structures and philosophies to potentialize domestic insurrection and insure international revolution.

Regretfully,



Charles A. Spears
Country Banker
Sherman, Texas

6 THE WALL STREET JOURNAL, Thursday, October 2, 1969

*Thrift Institutions Apparently Hard Hit
By Outflows as Savers Seek Higher Rates*

FROM: An Old Country Capitalist
FOR: My Own Contemplation
SUBJECT: Reformation

There are ages of insanity reflecting the fantastic extraordinary popular delusions of ordinary man. The worst of these obsessions seem to last for about 200 years--as in the case of the Crusades (12th through 13th century) or as in the case of the Inquisition (15th through 16th century). The cost of these transgressions of man against reason is almost beyond conception. Our present age of insane mass militarism beginning with Napoleon in 1808 potentially has 36 more years to make its 200 year mark.

Napoleon was responsible for the slaughter of 10 million men. Our Second World War saw some 60 million murdered--mostly civilians killed by air power. In 1909 the Dallas News said "A civilization that has outlawed the dum dum bullet could hardly countenance the use of air ships as engines of destruction".

The loss of all uniformed personnel (killed) to the U.S.A. in World War II was 290,000--yet our planes in just three nights over three towns in 1945 killed 360,000 non-participants. In the whole war the Russians lost some 12,000,000 and the Germans some 10,000,000. War is more and more the professional militarist against defenseless civilians--women, children, and old people. The Vietnam circumstance is no exception. Recent quote "We have to destroy them in order to save them". What an unmitigated lie! With 25% of children orphaned--we have put Christ back on the cross of military execution.

The Joint Chiefs of Staff are the chosen elite--when you have got there you are God Almighty in the flesh! Before that, after you have reached the fraternity's proven point, you can make no mistake--i.e. General Mark Clark who with dedicated abandon slaughtered the entire 36th Division at Rapido River. When threatened with Congressional investigation "Brother" Clark was promoted to Chief of Staff.

I have been waiting for 25 years to hear one small voice of authority ask about Tarawa or Iwo Jima--those sadistic, useless, bloody Pentagon slaughters of American boys?? Today in Vietnam 30% of the force are teenage draftees yet they suffer 90% of the casualties--why??--why?? Weekly deaths of 200 are the parts you hear about--you don't hear of the 1,500 hit each week with the small high-speed bullet--many would be better off dead, for the new projectiles on contact start tumbling to mangle flesh and bone in a comparable manner to the soft-nosed 30-06 deer rifle bullet.

The basic cause of war is professional militarism carried to the excess--that Tonkin Gulf incident was fabrication and fraud that you can ask Lyndon Johnson what he thinks of now--ask General Short and Admiral Kimmel about Pearl Harbor--ask William Randolph Hurst about the Spanish-American battleship Maine--ask Abraham (Spotty) Lincoln about the Mexican War and so forth and so forth. Men and rats are the only mammals that kill their own kind--and rats do it only when they are starving!

We have three professional military schools. This is two more than we need to turn out a surplus of these fat-backed admirals and generals of whom we have 10 times more today than we need. Their ignorant schoolboy rivalry is costing hundreds of billions in waste and obsolescence.

Yesterday the Senate voted another 750 million dollars for another aircraft carrier that couldn't last 20 minutes against any sophisticated enemy with heat-seeking missiles. And those three recent Air Force contracts that have run 500% overbid--one could understand 50% but 500% is pure collusion and a fraud against reason. There are 370 fulltime Pentagon lobbyists blackmailing our 530 such intelligent Congressmen, and there are 2000 high military retired "working" for manufacturers of military hardware. NONSUCH since Spain bankrupted herself in Elizabethan times!

Today in both Germany and Japan there are no slums, no unemployment, no illiteracy, and no unbalanced budget. Quote Chancellor Kissinger of West Germany "We spend 20% of our federal budget to raise the level of the bottom 20% of the economic structure--this is the way to combat communism. Communism cannot be stopped by force". Contrast this to U.S.A. which spends (not counting Social Security) 4% of its federal \$ on welfare and 65% on military in 1968. There are 20 million people in the U.S.A. below subsistence level and 4 million in abject poverty. In Texas there is 20% illiteracy. Who cares?

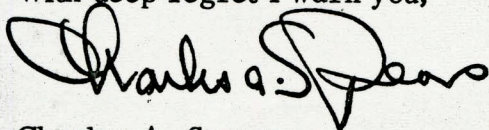
I was born in 1914--the days of my years are running by and out; and I am getting more distressed each day about our U.S.A. policies. How can we go on in this calloused and unconcerned way--golf, football, boating, and so forth? Ask President Richard (McCauber) Nixon why, when, who, what, and how? Write him directly now--you must.

Today--with just 30 years left in this 20th century the question is not capitalism or communism but rather production for use. The backward world is starved for industrial development while we (in our self-imposed money shortage) import capital from it. The situation cries for democracy--while we export military repression until there is democracy destroyed even in Greece where it started 3,000 years ago.

Communism is an outmoded anachronism of 1848--Russia having 50% of her people still on farms in 1968 versus 5% for the U.S.A. Capitalism is no longer the 1870 robber baron acquirers--and in no name should we ever back the Mafia dope peddler "Capitalist" as we are in Saigon today.

Science has since about 1950 given us the opportunity for both an end to untenable war and to a beginning of surplus economics. I say the Joint Chiefs of Staff in their myopic-ignorance will not tolerate either concept until we confine them to one service, one school, one limited budget, one purpose of defense. God help this world if we do not! And to hell with that John Foster Dulles Super-power Pentagon game and that Allen Dulles Man from Uncle C.I.A. mania! We must demand reformation now or we underwrite possible insurrection at home and certain revolution abroad.

With deep regret I warn you,



Charles A. Spears

P.S.: With three satellite radio communication and one radio for every four people--it is theoretically possible to communicate with every human on earth. What are we saying?? Dare we tell them that in 1968 alone we spent 90 billion dollars on military--enough to double the industrial investment of two entire continents (Africa and South America) in 30 months? Russia will do nothing or say nothing to divert us from this path of self-destruction and defeat--and they will use every subterfuge and diversion to keep us on this immoral and insane track. The Russians have no overseas bases--we have 2000.

30 THE WALL STREET JOURNAL, Thursday, September 18, 1969

Treasury Offers Interest Up to 8% On Notes in \$8.9 Billion Refinancing

Officials Also Say More Cash May Be Needed to Cover Spending Surge, Tax Lag

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — The Treasury offered interest rates ranging up to 8% on three new issues of notes in exchange for \$8.9 billion of securities maturing in the next few months.

Officials also said the Treasury soon may have to borrow more new cash than anticipated because of a smaller than projected gain in corporate taxes and an unexpected surge in Federal spending.

The 8% interest rate on the new rates is the highest on a comparable Treasury security since 1859, when rates ranged up to 12% on some issues, the Treasury Under Secretary for Monetary Affairs, Paul A. Volcker, said. The 7.75% coupon on 18-month notes issued Aug. 15 previously had ranked as the highest since that pre-Civil War peak.

The Treasury offered a choice of these new issues, all to be dated Oct. 1:

—A 1½-month note carrying an 8% coupon at par, to mature May 15, 1971.

10% or less of the maturing issues were exchanged for cash.

Market professionals guessed there might be a very heavy demand for the longest maturity of the three new 7½% notes, which they said had been priced particularly attractive by the Treasury in an attempt to "stretch" the average life of the Government's debt. The actual yield of 7.59% on these notes was far more liberal than anticipated; beforehand, the industry had widely predicted a fresh seven-year note to return "more than 7.40% though certainly less than 7.50%."

This elation over the 7.59% yield was, however, heavily tempered by a suspicion among at least some dealers that the lofty return possibly carried significant implications in regard to the Government's anti-inflation credit policies. Federal monetary authorities may well have designed the lucrative terms to ensure that additional funds will be drained from the private sector, several specialists reasoned.

"The 7.59% yield likely will attract a lot of money away from the various savings institutions, and thereby cause a further slump in the housing industry and other mortgage areas," one specialist asserted. "Both the Treasury and the Federal Reserve System are well

PRICE LIST

Major companies announced the following price increases last week.

Automobile tires up 2½%. Refrigerators, ranges and freezers 3%. Office copying machines 3½%. Wholesale ground coffee 4%. Newsprint 4%. Heating and air-conditioning units 5%. Flexible cartons 5% to 9%. Jet airplane engines 5% to 10%. Gas turbines 7½%. Rubbish-bag grades of polyethylene film 9%. In New York, a state court approved a 43% rise in Blue Cross insurance rates. American Telephone & Telegraph asked federal approval of a \$69 million rate increase on its office private lines and teletype services.

TIME, OCTOBER 10, 1969

FROM: Charles A. Spears

7-8-69

TO: Letters to the Editor

SUBJECT: Monetary Reformation

Andrew Jackson in the distressing 1830's almost ruined this nation's future in his antagonism toward a government bank and national currency. But there never was any logical reasons for a U.S. central bank to be privately owned. Ours since 1914 origin likewise should have been government owned--as we follow British precedent in all things monetary and financial. No other nation excesses the idea of private banking to such a negative degree.

We partially got off of this sad hump in 1933 after the unnecessary tragedy of depression that the privately owned Federal Reserve policy greatly contributed to. In 1933 Roosevelt took away the strongest one of the three Federal Reserve powers--Eisenhower in 1953, at New York Bank insistence (1% of the banks now in the U.S.A. control 96% of the resources), gave back the "open market" Treasury bond support--and by 1962 we had dried up money from 50% of Gross National Product to 30% with the result that we were 45th amongst the nations in annual economic gain.

Now the present monetary policy, begun about 1953 by William McC. Martin and his economic worship of the Chicago school philosophy (Milton Friedman) that monetary policy is superior to fiscal policy, has brought us to a 16 year climax where interest rate on Treasury Bills has gone from less than 1% to over 6% and money supply has declined from 50% to 20% of Gross National Product. Today U.S.A. banks are paying European banks 13% for short-term money.

The total result resembles a form of economic suicide whereby the expansion of production for use has not kept pace even with our 20 million population increase of the last 10 years--a 20 million shortage in housing is tragic and getting progressively worse--a deficit supply of product has brought a sick inflationary public philosophy--a loss of favorable foreign trade balances--incapacity to meet domestic insurgency of social discontent considerably due to this negative economic policy--until today it is virtually impossible even for municipal and school projects to be funded.

The extreme immorality of our time is that the money shortage is causing this nation to I M P O R T capital from a world in revolt for need of industrial investment. The Russians couldn't run this country more to their advantage than we are doing in following the Friedman-Martin school. We are losing the real war which is in the economics of this communications stage of industrial revolution that Francis Bacon's "science" projected in 1620 and which did not start until 150 years later when power was first applied to machines. At long last science (C. 1950) has made war untenable and surplus economics possible--at the same time.

What have we been doing for 20 years--non-such since Elizabethan Times when Spain bankrupted herself--unless our Dulles brothers decline might be also likened in effect to that extraordinary popular delusion of John Law's monetary madness that bankrupted France in the late 18th century.

Our re-evaluated socio-economic structure must have a determined Reformation without delay--or we (not Russia) will insure a worldwide revolution for the last one-third of this century.

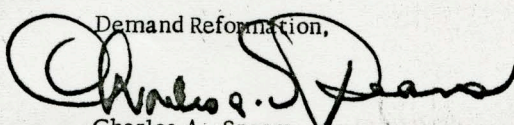
As far as monetary policy goes there are four basic changes required to free money for positive use to achieve this real opportunity for surplus economics that science has given us:

1. Eliminate useless abacus of gold by computer evaluation of foreign exchange--start by totally removing the guaranteed price--let the Arabs have it all.
2. Let the Treasury Department purchase all of the Federal Reserve stock and computer analyze and determine fiscal policy (of which money is only a part) to achieve positive effect of encouraging maximum production.
3. Make membership voluntary in the central bank (F.R.) and concentrate its service to discounting loans for production. Every bank will soon be eager to join.
4. Insure a basic minimum living standard to all people in this U.S.A. by guaranteed annual wage--and--start exporting know-how and capital assistance on a massive scale regardless of the politics of the foreign recipients. We spent in 1968 enough on militarism to in 36 months double the entire industrial investment of two entire continents (Africa and South America). T H I N K ! !

We must recognize that Communist revolution is an archaic anachronism of 1848. It is ^{to} the communication revolution of 1968 that we need to address ourselves. Military repression is not the solution--our policies (Dulles brothers) have destroyed democracy even in the place where it originated some 3000 years ago (Greece).

If money is approached in a logical way we can see that it is basically and simply only a medium of exchange--not necessary for it to have the esoteric connotation of black magic of the so-called international authorities--they (especially the Swiss bankers) are basically fakes and montebanks of comparable morality to the necromancers and the alchemists of the middle ages--interested in promoting what favors their selfish and crooked interests.

By comparison--the Japanese are using money in a positive way through a central bank organized 44 years before ours--and since 1950 their annual economic gain has approximated 9% compared to our 3%. So this nation practically without natural resources will by 1980 surpass our U.S.A. in per capita product--because of positive approach to money whereby the banks in Japan can make more loans than they have deposits by discounting privilege at their central bank.

Demand Reformation,

Charles A. Spears
Banker for 33 years
Grayson Bank Chairman

FROM: A Tired Old Banker

TO: President Richard M. Nixon and Others

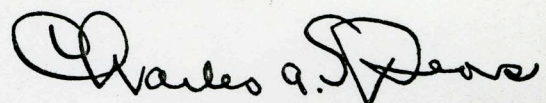
SUBJECT: A New Military Direction

We believe that our U.S.A. military structure can be strengthened by reformation and modernization. We are not asking that the military profession be reduced in authority or ultimate power. We are asking for evaluation, consideration, and action to:

1. Immediately get the number in service to that number that was in service in 1962--or from 3 1/2 million to 2 million regardless of the Vietnam finagling--as long as this number is not less than that of the second power in the world.
2. Adaption of professional German (1940) type total unification of services with one superior school for career officer training--taking only top students with two year previous college experience.
3. That all overseas bases be re-assessed in consideration of the changes occurring during the last 24 years--some strengthened, some reduced, and a considerable number eliminated--after using sophisticated analysis of Brookings Institute and two other similar scientific professional analysts.
4. That research be directed (by the unbiased space program scientists) to perfect a mini-missile program where small, heat seeking, long-range, conventional-head types would change our entire hardware concept. Recent ABM testimony indicates this would be basically a simple project--if not obviated by conventional militarists and manufacturers.
5. That the General Staff in the Pentagon direct research to potential use of military brains in peacetime for positive domestic needs as they have in a small way in the past. (i.e. more rivers and harbors type planning and execution directed at air and water pollution, cleanup, etc.)
6. That the C.I.A. be put under the military budget and control--and all activity be confined to information gathering. And that all other international political decisions be returned to State Department people--trained in two new schools for that purpose (i.e. peace by international law and international economics)
7. That Pentagon fulltime congressional lobbyists be reduced to 60 or 70 (one for every five congressmen) and that retired contracting officers take jobs only with corporations that they have not previously executed orders with.
8. That by act of Congress--it should be forever established there can be no draft without declared war and no declared or non-declared war involving over 10% of the eligible work force (in military and manufacture of hardware) without automatic freezing of wages and prices for the duration of hostilities.

In return for these reforms--the Pentagon is to be guaranteed for the balance of this century an annual peacetime expenditure of 22% of the Federal income (not counting Social Security) or 4% of the Gross National Product whichever is greater--to use as the General Staff sees fit. This would be a larger (annually increasing) long-term commitment of money than any nation in the world's history has ever made to military.

Respectfully,



Charles A. Spears
P. O. Box 430
Sherman, Texas 75090
Banker for 33 Years

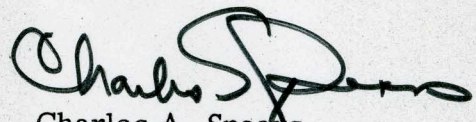
TWO CHOICES IN THE YEARS AHEAD
Economic Affluence or Apocalyptic Holocaust

The American public generally does not understand the folly and danger of the modern military mind against reason and peace. Napoleon started mass militarism where large armies slaughtered each other (10 million lost from 1806 to 1814). Then by the Second World War the mayhem had been turned on civilians with air power to murder non-participant women, children and old people. As proof--in 1945 in just three nights we slaughtered in only three towns some 360,000 non-participants--yet in the entire war in both Pacific and Atlantic we lost (killed) only 290,000 uniformed personnel while some 60 million people were being killed in the world. This potential philosophy of mass genocide was so little understood that in 1909 the Dallas News said "civilization that has outlawed the use of the dum dum bullet could hardly countenance the use of air ships as engines of destruction".

Now science has given mankind two great, and as yet not publicly recognized, gifts:

1. Atomic power, which gives us a source of energy to replace the rapidly depleting petrol energy, and which makes most conventional weapons of war as useless as tits on a boar hog. Those 750 million \$ aircraft carriers the taxpayers are buying are totally without reason--for satellite reconnaissance can give within one second of latitude and longitude their exact location, so that heat-seeking missiles can blast them into oblivion within 20 minutes. All other surface and air conventional World War Two weapons are of the same relevance.
2. It has given the capacity for the first time in the world's history to have a surplus economy--which generally means that distribution and not production is our problem now in these U.S. of A. The old "work culture" of our puritanistic and prejudiced ancestors--is being replaced of necessity by a circumstance of automation and computer technology whereby the privileged will be those who have "work". This means the idle rich will be joined by the idle poor.

And this happens at a time when in the next 30 years the world population will gain more than it did in the last one million years. This means that industrial technology must be adapted to expansion and use in the next 30 years as our farm production has been in these last 50 years during which farm population declined from 50% to 5% while prices of product, because of scientific production, declined from 20 to 200 per cent of 1918 prices (Guaranty-Trust price index).



Charles A. Spears
Sherman, Texas
September 30, 1969

November 5, 1969

FROM: Charles A. Spears
TO: Letters to the Editor of the Dallas Morning News
SUBJECT: "Not So Solid"

There are several points about war being missed in your Vietnam discussions:

1. Our presence there rescued an obscure people from almost total oblivion--and neither North nor South can tolerate our leaving.
2. The 30% of our uniformed personnel there are draftees who suffer 90% of the casualties--this is the evil of the buck-passing professional militarism.
3. There are 3 1/2 million now in the military versus 2 million in 1962--nearly all opposition would stop if draftees (plus teenagers who volunteer to avoid the draft) would be withdrawn. Why not let the ample number of professionals we have and even mercenaries--fight this useless war?
4. Capitalism in South Vietnam is a Mafia type operation--crooked Chinese businessmen, who are the chief opium traders of this world, own everything. They live in a walled off compound in Saigon and are hated by the people.
5. As long as 2 years ago more bombs had been dropped by the U.S. Air Force on South Vietnam than on all of Europe by both sides in the Second World War. Obviously to help our friends "we have to destroy them--in order to save them".



- 2 -

6. We now have 20% of our eligible work force between 20 and age 65 tied up in a program of militarism largely dedicated to weapon systems now outmoded by atom-missile-satellite science.
7. Inflation which is caused by military non-use production--cannot be stopped by a monetary mania based on 1914 theories re-introduced by Eisenhower in 1953 after Roosevelt had removed the Federal Reserve power in 1933.

In summary the Dallas News and other papers have failed to inform the people on basic "war" issues so that most all of the dissention, and it is uniform, is coming from the intellectual community--those that Wallace called pointy-headed and Agnew called snobs.

Regretfully,

Charles A. Spears
Banker for 33 years

RALPH G. CASO
PRESIDING SUPERVISOR



OFFICE OF THE
PRESIDING SUPERVISOR
TOWN OF HEMPSTEAD
TOWN HALL, HEMPSTEAD, N. Y. 11550
IV 9-5000

GENERAL

FI 2

LG/Hempstead

HU 2

November 14, 1969

The President
The White House
Washington 25, D. C.

Dear Mr. President:

As chief executive of the Town of Hempstead in Nassau County, New York, which is the most populous township in the nation, I am vitally concerned about all matters affecting our more than 850,000 residents.

Therefore, I am writing about establishment of Long Island's first bank to be directed by racially-integrated leadership. The Vanguard National Bank was created specifically to train black people in banking fields and to help supply financial services needed by the black community. Founders of the bank include eleven black and eight white business leaders.

The Vanguard National Bank seems about ready to open its doors for business but cannot do so because the Comptroller of the Currency has still not approved its application for a charter.

On behalf of our entire citizenry, Mr. President, I respectfully appeal to you to recommend to the Comptroller of the Currency granting of the charter. I sincerely believe that the Vanguard National Bank will do much towards the economic development of black communities in our area and elsewhere.

Thanking you in advance for your cooperation in this matter, I remain

Sincerely,

Ralph G. Caso

Ralph G. Caso
Presiding Supervisor
Town of Hempstead

rgc;gm

gh
GENERAL

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FG999

November 18, 1969

Dear Mr. Hall:

I am writing on the President's behalf in reply to your letter of November 6th.

I assure you that the proposal for a Presidential commission to study the structure of bank regulation will be reviewed most conscientiously by the Administration. In view of my prospective move to the Federal Reserve Board, I have, of course, a strong interest in this problem.

Sincerely yours,

Arthur F. Burns
Counsellor to the President

†
Mr. James M. Hall
Superintendent of Banks
State Banking Department
120 Montgomery Street
San Francisco, California

AFB:ccm

RECEIVED
NOV 21 1969
CENTRAL FILES

JAMES AHLF
CHIEF DEPUTY

RONALD REAGAN
GOVERNOR



120 MONTGOMERY STREET
SUITE 1375
SAN FRANCISCO 94104
557-3232
AREA CODE 415

107 SOUTH BROADWAY
SUITE 8014
LOS ANGELES 90012
620-4760
AREA CODE 213

State of California

STATE BANKING DEPARTMENT

San Francisco, California

November 6, 1969

President Richard M. Nixon
The White House
1600 Pennsylvania Avenue
Washington, D. C. 20500

Dear President Nixon:

The purpose of this letter is to once again urge you to appoint a Special Commission on Bank Supervision to study all aspects of the question of restructuring bank regulation. In an address to the student body of The Stonier Graduate School of Banking at Rutgers on June 13, 1969, I strongly urged that you appoint such a Commission, with the objective of arriving at a workable plan for reorganizing the federal banking agencies. I tried to emphasize that there is a pressing need to solve the banking regulatory dilemma, and that our time is short. These recommendations were called to the attention of Under Secretary of the Treasury Charles Walker and Director of Communications Herbert Klein shortly after they were made.

On September 15, 1969, the New York Times carried an article confirming rumors that had been circulating for several months to the effect that members of your Administration were seriously considering asking you to implement a reorganization plan for the federal banking agencies by means of an Executive Order. About the same time, you received a letter from The Honorable Harry Bloom, State Bank Commissioner of Colorado and President of The National Association of Supervisors of State Banks, in which he recommended that you appoint a special commission on bank supervision to study

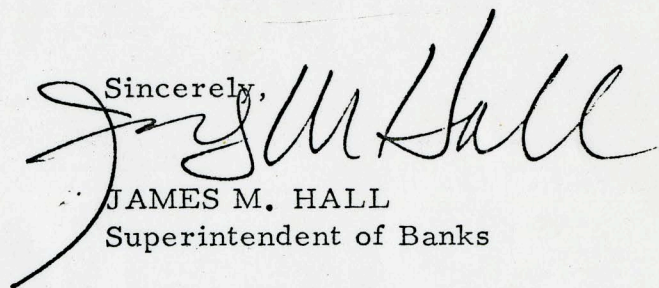
President Richard M. Nixon
November 6, 1969
page 2

all aspects of the question of restructuring bank regulation. A response on your behalf dated September 26, 1969, was received from Dr. Arthur F. Burns, who reported that your Administration now has under consideration several proposals bearing on the structure of bank regulation, and that the proposal for a Presidential Commission would be evaluated in the near future.

As you are aware, the suggestion that the restructuring of federal banking agencies be accomplished by Executive Order has attracted the critical attention of several members of Congress. It would appear that an indirect course would be more appropriate, although, unfortunately, it may now be too late to proceed with a commission that is independent of the Congress. However, I continue to believe that a Presidential Commission made up of private citizens would be of the greatest benefit to the public.

I hope that your Administration will soon regain the initiative in this matter, before Congressional reaction degenerates into a public dispute and eventual acceptance of the status quo. There is no doubt in my mind that a reorganization of the federal banking agencies and improvement of state banking authorities is vital, if we are to maintain the dispersion of economic power that characterizes our American banking system.

Sincerely,

A large, stylized handwritten signature in dark ink, appearing to read "J M Hall". The signature is written over the typed name and title.

JAMES M. HALL
Superintendent of Banks

JMH/mls

cc/

December 1, 1969

GENERAL

F12
ST49

Dear Mr. Johnson:

Thank you for bringing me up to date on
the state banking situation in Wisconsin.

Please keep me posted as your meetings
go forward with the FDIC.

Sincerely,

Daniel P. Moynihan
Counsellor to the President

Mr. W. G. ^XJohnson
President
XIndustrial Research Laboratories
10053 River Road
Mequon, Wisconsin 53092

DPM/crm

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Industrial Research

10053 RIVER ROAD

MEQUON, WISCONSIN 53092

Laboratories

November 19, 1969

Dr. Daniel Patrick Moynihan
Counsellor to the President
White House
Washington, D. C.

Dear Dr. Moynihan:

Subject - The Political Power of Private Guaranty
Finance at the State and Local Levels;
The Restricted State Banks' Idle Credits
Available for Social Needs, for Jobs,
Training, Homes and Education.

Wisconsin's leading bankers - former presidents of the
State Independent Bankers Association - are now organizing
a Mutual Guaranty Trust Bank under Wisconsin's banking
statutes.

The purposes of this development trust bank are limited
to serving; first, the state's social needs, second, the
state's property taxes covering educational facilities, and
at the same time aid the United States Treasury's need for long
term refinancing of the enormous public debt.

For these purposes Wisconsin's 433 state chartered banks
have the liquid resources available for generating in excess
of \$2,000,000,000 of long term mortgage bond credits. The
root causes that restrict these idle credits are best described
by the president of the Chicago Federal Reserve Bank in his
treatise on "THE WEAKNESSES OF OUR FINANCING SYSTEMS IN TIMES
OF STRESS". Other attachments fortify Mr. Charles J. Scanlon's
warnings.

Wisconsin's Trust Bank, to be effective, requires the
cooperation of the district F.D.I.C. office in Madison. We
have had a preliminary conference and will present our complete
proposal soon after we can arrange a conference with you to
formulate a non-grant coalition program for our concept of a new
SELF-HELP PRIMARY RISK COMMUNITY TRUST FUND, NOT BASED ON
SPENDING TAX DOLLARS.

Dr. Daniel Patrick Moynihan

November 19, 1969

Each Primary Trust Fund will control and manage the financial affairs of its new community, under a rigid trust contract. The member-builder-home owner will be the sole beneficiaries of the funds growth of assets. These primary trust funds are the keys to any successful financial plan for lower income projects, and they are also a meaningful incentive for the individual members to own, maintain and work extra hours for a home with trust fund financial security. Upon completion of the project each member owner will have an equity of \$4000 equal to 20% of the value of his property. The fund provides a private retirement fund to augment their federal social security income. Provision for a stake in capitalism for all is a must, if we are to continue this, or any other form of capitalism, for the future generations.

For the nation, there are 7,481 state chartered banks. Collectively they have in excess of \$32,000,000,000 of IDLE CREDITS available for your social goals, if properly organized without premature publicity. The ground work should be laid in the private sector at the state and local levels, where the private idle credits are located. The federal role should not go beyond your office, concerned with promotion and the necessary executive and administrative orders that affect the new communities and their primary Guaranty Trust Funds. When the unemployment records reach 5% in January, that would be the time for publicity on an accomplished fact, rather than a promise for the future.

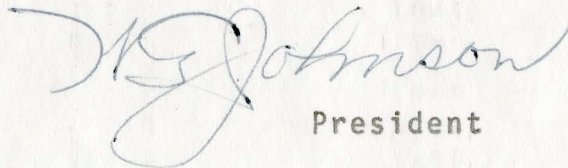
Since time is running out to avoid a serious confrontation with labor's rank and file and our knowledgeable youth for meaningful jobs, an early time and place for you and this writer to explore these economic and political possibilities is urgent.

Respectfully presented for your personal consideration.

Yours very truly,

INDUSTRIAL RESEARCH LABORATORIES

W.G. Johnson
Encls.


President

Enclosures:

- . The Weaknesses of our Financial Systems in a Crisis.
- . The Powers of Guaranty Finance.
- . Jobs per Population - U.S.A. vs. West Germany.
- . Fundamental Resources Chart.
- . The Economic Powers of our Federated States.
- . Profit Motive for Small Banks Thru Guarantees.
- . Quotation from American Institute of Economic Research.
- . From The Gold War by W. G. Johnson.

Excerpts From the Address By
Charles J. Scanlon,
President, Federal Reserve Bank of Chicago
May 19, 1968

The excessive demands on our financial mechanism in recent years - caused largely by the need to finance tremendous Treasury deficits - highlight weaknesses in the nation's financial system. A few changes, however, could go a long way toward improving the performance of the system and avoiding crises.

Performance is limited by two types of weaknesses. One includes the whole array of institutional arrangements that tend to delay, and in some cases block the adjustments by which the market mechanism is supposed to realign the supply and demand for funds in a changing environment. These pose the problem of imperfect markets. Channels for the flow of funds between suppliers and users need to be improved, and the capacity of financial institutions to adjust to changing conditions needs to be increased. Actions increasing the flexibility of financial markets and enlarging the role of market prices would also strengthen competitive forces.

The choking effects of imperfections in a financial market were illustrated two years ago by the drying up of the mortgage market. The shortage of mortgage funds in 1966 can be traced largely to a complex of rigidities. Mortgage contracts as they are generally constituted put lenders in a bind when interest rates are rising. The squeeze is made even tighter by the absence of an effective secondary market for mortgages, except possibly for those guaranteed by FHA and VA, and they are a small part of the total.

Another example of market imperfection can be drawn from deficiencies in the private market for agricultural credit. These have included inadequate knowledge in central credit markets regarding the quality of paper generated by many small farm borrowers, lack of facilities for packaging such paper into marketable parcels at competitive rates, and failure to gear loan terms to farmers' flow of funds.

Part of the problem of imperfect markets results from government intervention. Few people would question that banking must be regulated. But wherever possible government involvement should be turned toward the perfecting of the market mechanism and away from the substituting of regulation for market forces.

Small banks in outlying areas, would benefit particularly from improvements in their linkage with national markets and in their ability to attract funds and acquire desirable assets consistent with the growth of their trade areas and production

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facilities. New rural demands for fairly large amounts of funds in rural areas require that many small banks develop procedures for handling larger volumes of credit. To meet these demands, small banks must grow and must develop more effective linkage with financial resources outside of their areas.

There are a number of possibilities for strengthening the ability of small banks to serve the growing needs of their communities. One involves the clothing of certain assets with liquidity they do not ordinarily have. For example, there might be ways of pooling the notes of farmers or small businesses in marketable packages or of having these notes serve as the basis for issuing marketable securities. While many small banks could benefit substantially from efforts to develop new secondary market instruments based on business, agricultural, and mortgage paper, the growth route is an even more challenging possibility, and harder to evaluate.

While better financial markets could set the stage for less interference from regulatory authorities and strengthen free enterprise in banking, more self-reliance and self-discipline on the part of banks is also needed. In efforts to maximize profits and the mistaken belief that all problems of achieving economic stability have been solved, some banks and other establishments (financial and nonfinancial) have become accustomed to operating with very low margins of liquidity and limited ability to adjust to unexpected changes. These establishments have become more vulnerable both to normal economic fluctuations and to changes in monetary and fiscal policy.

Moves to perfect financial markets will make it easier for managements of soundly managed banks to adjust to changes in the supply and demand for funds. That could be of great benefit to their communities and, in times of stress, to the nation.

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THE POWERS OF GUARANTY FINANCING

Present normal credit channels and rules have restricted the use of the available idle credits and the creation of new deposits in the nation's local state banks. These credits combined with economic incentives for state local banks, could create competitive non-inflationary forces to counteract the forces of federal discretionary monetary powers that are the root causes of price inflation.

Stanley S. Surrey, before he left the Treasury said: "It is a grave mistake to use tax dollars for social needs when guaranty credits would do it better." Guaranty finance is not new. It started in Babylon and created the Babylonian Empire. Rome's guarantees re-established the financial structure under Octavian Augustus. Disraeli's guaranty bank of last resort created Britain's financial empire. Dr. Ludwig Erhard rebuilt a demolished West Germany with guaranty credits. Wisconsin's 433 local independent private banks collectively have two billions of idle credits waiting for a workable plan of private guaranty of new community mortgage credits at the local bank level.

West Germany's social market economy reversed inflationary prices three times during its brief history, with guaranty credits for new competitive facilities. This policy established by Dr. Erhard has consistently maintained the German retail price levels below the wage levels. Germany's present problems with prices, students and labor are rooted in the failure of the Kiesinger government to employ powers, resulting in the election of Willy Brandt of the social democratic party.

But for the best kept secrets, imbedded in the Federal Reserve Act, by its author Paul Warburg, with legal semantics that confuse those attempting to understand the weaknesses of our financial systems, President Nixon could solve our social problems with full employment and housing at the lower economic levels without inflation.

The debatable questions are: Do we have the will to promote the use of these massive restricted state bank credits, for social purposes, that are lost during times of financial stress? Can a democracy maintain a livable social order in revolt, with a monetary structure that creates unemployment and poverty?

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FUNDAMENTAL HUMAN RESOURCES
U.S.A. vs. West German Employee Utilization
Comparative Analysis: Jobs as % of Population

Data: Commerce Dept. Economic Indicators 1968
 West German Economic Report 1967
 Latest available data

	<u>U.S.A.</u> <u>1968</u>	<u>West Germany</u> <u>1967</u>
Population	199,118,000	59,834,000
Production Jobs: Manufacture	19,740,000	12,653,000
Mines	625,000	
Construction	3,259,000	
Total Production Jobs Combined	23,624,000	12,653,000
Total Production Jobs - % of Population →	11.8% ✓	21.1% ✓
Total Jobs in Agriculture-Foods	3,817,000	2,675,000
Agriculture Foods - % of Population	1.9%	4.4%
Total Production Factory and Foods	27,441,000	15,328,000
Total Production Jobs % of Population	13.7%	25.5%
Services: Transport	4,348,000	Civilian
Wholesale and Retail	14,111,000	Services
Finance	3,357,000	Combined
Other Services	10,504,000	
Total Civilian Services	32,320,000	6,679,000
Total Civilian Services % of Population	16.2%	11.1%
Governmental: Federal	2,737,000	Gov. Service
State and Local	9,465,000	Combined
Total Governmental services	12,202,000	4,390,000
Total Gov. Services % of Population	5.6%	7.4%
Total Gainful Employment	71,963,000	
Total Gainful Employment % of Pop.	36.0%	44.0%

NOTES:

For job statistics to have any credibility for gauging economic and political health, relevant data should contain the number of persons one production worker must support.

West Germany controls inflation by its federal bank's guaranty of local bank long term mortgage loans for production facilities and automated equipment. This monetary policy creates competition, more jobs, more production at lower costs and maintains take-home pay above the cost of better living, less welfare costs, labor peace, and more families with a stake in their social market capitalism.

West Germany's outstanding success and prudent money policies are capitalistic standards for comparison of jobs per population. To obtain our legal full employment position (Oct. 1946) we need 8 million jobs and 120 billions of capital credit formation.

From the files of
 INDUSTRIAL RESEARCH LABORATORIES

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MONEY - MASTER OR SERVANT
and
THE ECONOMIC POWERS OF OUR FEDERATED STATES

"America's disunity of its people must end." Not by the powers of a police state. Rather, by total involvement in a return of the powers of our states to control the taxing of their people uniformly, as originally mandated by the Constitution of these federated states.

Unity of our people, law and order is a hoax, and a myth, without total involvement in recapturing President Lincoln's sound banking principals contained in the dual banking law (of the early 1860's) that provided for a more effective climate for private finance at the local state bank level.

Then only can our federated states be free from the bureaucratic federal controls over our jobs, our jobless people, our schools, our economic textbooks, the building and financing of our homes, the welfare and the health of our people, and equal justice in our courts.

Then only will our state banks be permitted to employ their tremendous collective excess reserves, to bring into balance new guaranty state bank credits, with new tangible state assets, created by new production jobs for the jobless, in new factories close to home base.

Then only can our states lower the cost of living with full employment for production workers, producing more goods at lower costs in the cities and small towns, with local state bank finance.

West Germany is our economic model. Germany has full employment without inflation, satisfactory union wages above the cost of living with room for savings and a small capital stake in their social market economy. They have the strongest money system in the western world. West German money is truly a servant of the German people. Their local state banks have central bank's guarantees for that service.

When America's money is our servant at the state and local level, we will have hope, jobs, better homes and schools, self rules of law and order and full participation with a stake in capitalism for all. With hope we may have time to save our democratic society. Without hope our nation may no longer endure the burdens of our international financial autocracy. This autocracy "is harmful to the state, creates poverty and unemployment, and is the root cause of war." Quotation by V. C. Vickers, the leading British international banker 1909-1919.

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THE PROFIT MOTIVE FOR SMALL BANKS TO PROVIDE
NEW GUARANTY MORTGAGE CREDITS FOR JOBS, BUILDING
LOW AND MID INCOME HOUSING: AND TREASURY'S
FINANCING OF LONG TERM U.S. GOVERNMENT DEBT BONDS.

Changes in the state bank liquid reserve rules, as described heretofore, can serve the national economy, our social needs and new self help employment while we strive for a stable dollar here and abroad. These guaranty powers can provide an orderly de-escalation of our price structure by competitive credit forces operating at the local banking level in every state of the union.

With proper employment of the forces of our reserve system operating in our local 14,000 banks of our dual banking system, the local banks can provide PRIVATE FINANCE for our social needs, without cost to the TAXPAYERS. If we have the will to change a few bank rules to provide the smaller banks with a measure of profit and growth of capital assets, now only available to a few leading banks engaged in international banking, there will be no need for state sharing of federal tax funds.

When Guaranty Condominium Mortgage Bonds require local banks to hold excess reserve in long term U. S. government bonds, Treasury's financing and refinancing of the federal debt, can be accomplished without disturbing the normal money markets, when fluctuations in monetary and fiscal policies occur.

Most important in these days of galloping inflation, these guaranty local bank credits will rest on a solid base of non-inflationary real and productive assets, at lower prices. Moreover the national economy badly needs a large source of private bond credits to counteract, and to replace, all inflationary governmental debt bonds that rest only on the ability and the consent of our citizens to pay governmental taxes.

Moreover, the rapid growth of our local banks' capital assets that accrue from these larger guaranty bond transactions has challenging possibilities for states to accept their economic role of providing a climate for self-help private finance for the needs of the state and the welfare of their people. Since the growth of a state or a community is largely controlled by the growth of small banks' capital and surplus accounts, these larger transactions normally would increase the capital accounts annually equal to the net profits earned by all other banking transactions.

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ECONOMIC EDUCATION BULLETIN

American Institute
of Economic Research
December, 1960

"One might believe that commercial banking and money-credit matters generally are too complicated for all but a few exceptional individuals to understand." However, knowing that only simple relationships are involved we are convinced that the difficulty lies in legal semantics employed by Goldman Sach's banker, Paul Warburg, author of our Federal banking laws, with intent to confuse those attempting to understand the fatal defects of our money system. "They are confronted by the difficulty of remembering the technical uses of words that have become familiar, having somewhat different uses."

"It seems safe to predict that, unless the basic principles of sound commercial banking are rediscovered and suitable measures for the transition to sound money and sound banking are adopted, satisfactory solutions to the nation's money-credit problems will be indefinitely postponed. In the meantime the question whether the United States will become one more victim of money-credit follies, whether it may even be destroyed as inflation has destroyed many other nations, hangs in the balance."

Excerpt from -
Money: Master or Servant?
Federal Reserve Bank booklet

Another note: "Since money enters into virtually all economic transactions in our society, it can be found at work in all areas of the economy. It has, therefore, been necessary to set arbitrary limits to how far this explanation should go, or the whole of the economy would have been under examination. Thus, fiscal policy and debt management have been given only the briefest consideration, despite their intimate relation to the role of money and monetary policy." In short, the Federal Reserve Bank keeps the secret.

May, 1955

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THE WALLSTREET JOURNAL
War of Resources 11/28/56
Editor, The Wall Street Journal:

The editorial page of November 19 presents letters from the people and an editorial ("Policies and the Middle East"); that rates high in the selectivity of the news that is so important to maintaining some form of free enterprise throughout the world. The letters of divergent opinion on the Federal Reserve System deserve comment.

Mr. Arthur W. Mitchell of De Land, Florida, and Mrs. Donald W. Smith, of Angola, Indiana, evidently do not know that the Federal Reserve System has never been untouchable nor independent. It has always been guided either by Government or the leading banks of the nation, to the end that without exception it has always been too late and too little with credit control.

In reference to Mr. Clark's article "Money Tussle" (Nov. 7), Mr. Franzy Eakin displays an extraordinary amount of knowledge of our economic fundamentals and most certainly should be nominated as one of the economic council members, for if ever the money managers needed unorthodox monetary advice that operates from knowledge rather than from emotional status quo or bust, it is now.

The above comments are for the purpose of adding the World Bank problem to the Middle East crisis and the statesman-like activities of the President, as outlined in your editorial and the letter by Frank Steverman of New York City. In these days of global money problems, how can we discuss our domestic banking problem without referring to the activities, or rather lack of activities, in the World Bank and the Monetary Fund? It seems to me that the press and all the economic writers have dodged the issue of the World Bank in the Middle East, which is part and parcel of the war of gold that began in 1921 and unluckily did not cease in 1934. Since President Eisenhower so ably refers the military problem of the world to the United Nations, I pose the question of why the President does not also refer the problem of world money and monetary exchange to the United Nations, which would once and for all relieve the American people of the onus of being called "dollar imperialists" by Russia and the have-not nations.

It seems to me that until the press outlines the far reaching results in maintaining a monetary peace that were originally built into the fundamental principles of the World Bank, but were sadly lacking in the rules and regulations of operation, there will be no military peace. Until the informed American people understand these processes of international, diplomatic and economic warfare, we will be always on the verge or brink of war for control of the world's resources.

W. G. JOHNSON

Milwaukee, Wis.

The Gold War
of 1920-34
By W. G. Johnson

7cc — Sent Vice President
Dec 4, 1969
mo

STATE OF NORTH DAKOTA
EXECUTIVE OFFICE
BISMARCK

GENERAL
CO145
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ST34



December 2, 1969

19
H K
WILLIAM L. GUY
GOVERNOR

The President
The White House
Washington, D. C.

Dear Mr. President:

Very respectfully I add my voice to those who are calling for action by the United States against Switzerland to make secret Swiss bank accounts of Americans and those who deal with Americans open for checking by proper United States officials.

It is very demoralizing to our law abiding citizens to see the Swiss government treat the bank deposits of United States racketeers, other illegal operators, and tax evaders as though it was all part of a children's game.

The unnumbered secret Swiss bank account is a device engineered by the Swiss government to encourage large and questionable bank deposits by foreigners solely for the benefit of the Swiss economy. We are paying the bill because of the United States tax evasion involved.

If tax evaders, racketeers, and criminals can laughingly place their funds in unnumbered Swiss bank accounts and then cry out, "King's X; you can't catch me," then we have reached a juvenile level of absurdity in international relations.

I was appalled to read that some Army Sergeants who are alleged to have victimized GI's at service clubs might have deposited their ill gotten gains in Swiss bank accounts and could thus avoid prosecution.

I join those who say we have negotiated with Switzerland long enough in this matter. I recommend economic sanctions against Switzerland until such time as that country opens up its bank records for international inspection by properly designated officials.

There is so much hypocrisy in our national and international life regarding tax evasion and concealment of ill gotten gains. The aid given this hypocrisy by secret Swiss banking should not be allowed to continue.

Respectfully yours,

William L. Guy
William L. Guy
Governor

RECEIVED

DEC 4 1969
CE...

December 15, 1969

Dear Mr. Brown:

I have your letter to President Nixon relative to the Federal Home Loan Bank Board and the proposed liquidity regulations.

I have made inquiry at the Federal Home Loan Bank Board and will advise you on the viewpoint here as soon as I have completed my investigation.

Yours truly,

Clark R. Mollenhoff
Special Counsel to
the President

Mr. R. M. Brown
Executive Vice-President
First Mutual Savings
700 Main Street
Peoria, Illinois 61602

CRM:ech

2
GENERAL

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Hrb
December 15, 1969

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Dear Mr. Teleki:

Stephen

President Nixon has asked me to thank you for your letter of November 21.

As you probably know, the two savings and loan associations in which you lost money were among several such institutions in Maryland which failed about seven years ago. Unfortunately for the savings account holders involved, none of these was insured by the Federal Savings and Loan Insurance Corporation, the Federal agency which protects savers in its member institutions against loss up to \$15,000.

You have been correctly advised that the liquidation of the state-chartered institutions in question was within the sole jurisdiction of the State of Maryland. In order to provide maximum protection of all parties at interest, its laws, like those of other states, provide that the liquidation of financial institutions place in receivership for that purpose be carried out by a receiver appointed and supervised by a State court. According to our information, the liquidation of these institutions was carried out. For more information on this and related questions raised in your letter, it is suggested that you write to the Maryland Department of Savings and Loan Associations, 301 West Preston Street, Baltimore, Maryland 21201.

The experience of FSLIC confirms that the orderly liquidation of a bankrupt institution does require several years and that the expenses involved are typically above average, particularly where failure stems from unsafe and unsound operations.

RECEIVED
DEC 16 1969
CENTRAL FILES

The President is grateful for your thoughts on liquidations and has directed that they be brought to the attention of the Federal Home Loan Bank Board, which directs the operations of FSLIC.

With the President's best wishes,

Sincerely,

Noble M. Melencamp
Staff Assistant
to the President

Mr. Stephen Teleki
2446 Fillmore Street
Hollywood, Florida 33020

NMM:FSLIC:O'Herron:blm

OK
DRAFT (O. H. Smith)
(FSLIC-12/9/69)

Dear Mr. Teleki:

President Nixon has asked me to
Thank you for your letter of November 21, ~~to President Nixon.~~

As you probably know, the two savings and loan associations in which you lost money were among several such institutions in Maryland which failed about seven years ago. Unfortunately for the savings account holders involved, none of these was insured by the Federal Savings and Loan Insurance Corporation, the Federal agency which protects savers in its member institutions against loss up to \$15,000.

According to me
You have been correctly advised that the liquidation of the state-chartered institutions in question was within the sole jurisdiction of the State of Maryland. In order to provide maximum protection of all parties at interest, its laws, like those of other states, provide that the liquidation of financial institutions placed in receivership for that purpose be carried out by a receiver appointed and supervised by a State court. ~~It is the information of FSLIC that~~ the liquidation of these institutions was so carried out. For ~~first hand~~ ^{more} information on this and related questions raised in your letter, it is suggested that you write to the Maryland Department of Savings and Loan Associations, 301 West Preston Street, Baltimore, Maryland 21201.

~~I may add that~~ the experience of FSLIC confirms that the orderly liquidation of a bankrupt institution does require several years and that the expenses involved are typically above average, particularly where failure stems from unsafe and unsound operations.

The President is grateful for
Your thoughts on liquidations, ~~have been referred to the Federal~~ ^{and has directed that they be brought to the attention of} Home Loan Bank Board, which directs the operations of FSLIC.

the President's
With best wishes, ~~I am~~

Sincerely

Noble M. Melencamp
Staff Assistant
to the President

Mr. Stephen Teleki
2446 Fillmore Street
Hollywood, Florida 33020



FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

FEDERAL HOME LOAN BANK BOARD

WASHINGTON, D. C. 20552

101 INDIANA AVENUE, N. W.

December 10, 1969

Mr. Noble M. Melencamp
Staff Assistant to the President
The White House
Washington, D. C. 20500

Re: Correspondence from
Mr. Stephen Teleki
2446 Fillmore Street
Hollywood, Florida 33020

Dear Mr. Melencamp:

As requested, we have prepared the attached draft of a response to the subject letter which is also enclosed along with your referral memorandum of December 5.

By way of background, our correspondence with Mr. Teleki in 1966 reveals that the institutions in which he lost money were the First Fidelity Savings and Loan Association, Baltimore, and the First Colony Savings and Loan Association, Elkton. These two were among the approximately twenty non-insured associations involved in the so-called "Maryland Savings and Loan Scandal" of the early 1960's.

Both the Post Office Department and the Securities and Exchange Commission were instrumental in bringing to an end practices of some of these institutions which were in violation of Federal statutes within their respective jurisdiction.

Should you have any questions, my telephone number is IDS Code 129-5495.

Sincerely,

J. M. Broullire
Acting Director

Attachments

THE WHITE HOUSE OFFICE

DEC 9 1969

REFERRAL

OFFICE OF THE DIRECTOR

FSLIC

To: Federal Savings and Loan Insurance
Corporation

Date: December 5, 1969

ACTION REQUESTED

- ☐ Draft reply for:
☐ President's signature.
☐ Undersigned's signature.
- ☐ Memorandum for use as enclosure to
reply.
- ☐ Direct reply.
☐ Furnish information copy.
- ☐ Suitable acknowledgment or other
appropriate handling.
☐ Furnish copy of reply, if any.
- ☐ For your information.
- ☒ For comment. Draft reply.

NOTE

Prompt action is essential.

If more than 72 hours' delay is encountered,
please telephone the undersigned immediately,
Code 1450.

Basic correspondence should be returned when
draft reply, memorandum, or comment is re-
quested.

REMARKS:

Description:

☒ Letter: ☐ Telegram: ☐ Other:

To: The President

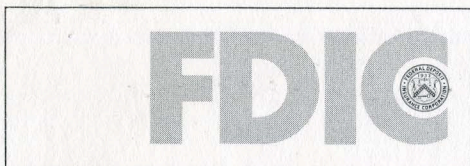
From: Mr. Stephen Teleki, 2446 Fillmore Street, Hollywood, Florida

Date: 11/21/69

Subject: Refers to the closing of two banks in the State of Maryland.

By direction of the President:


Noble M. Melencamp
Staff Assistant
to the President



FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, D.C. 20429

OFFICE OF CHIEF • DIVISION OF LIQUIDATION

December 3, 1969

RECEIVED

Mr. Noble M. Melencamp
Staff Assistant to the President
The White House
Washington, D. C. 20500

DEC 9 1969

OFFICE OF THE DIRECTOR
FSLIC

Dear Mr. Melencamp:

Subject: Correspondence from
Mr. Stephen Teleki
2446 Fillmore Street
Hollywood, Florida 33020

We are in receipt of your memorandum of November 26, 1969 transmitting a letter from Mr. Stephen Teleki in which he refers to the closing of two banks in the State of Maryland, one in Elkton and the other in Baltimore, in 1962.

It is our understanding that the institutions Mr. Teleki refers to were Savings and Loan Associations chartered by the State of Maryland whose accounts were not insured by any Federal Agency.

However, the Federal Savings and Loan Insurance Corporation may have information concerning the two institutions and could advise Mr. Teleki as to the proper department in the State of Maryland that he can contact. Accordingly, we are returning the letter to you.

Sincerely,

A handwritten signature in blue ink, reading "John J. Slocum", is written over the typed name.

John J. Slocum, Chief
Division of Liquidation

Enclosure

27R
11/24
FOIC

2446 Fillmore Street
Hollywood, Florida 33020

Novemember 21, 1969

RECEIVED

DEC 9 1969

The White House
Washington, D.C.

OFFICE OF THE DIRECTOR
FSLIC

Dear Mr. President:

I wrote you a letter a while back, but I know you never saw my letter. Whoever reads this letter had better give it to the President. He shall be responsible as to what I am going to do if I do not get Justice.

I am not going to let rotten crooked lawyer and politicians enjoy half of my life's savings. I am retired and I need the money. In 1962, two banks went into receivership in the State of Maryland, one in Elkton and the other in Baltimore. Both banks had the same Receiver- Mr. Wolf, Jr., Baltimore, Maryland. I want to take this crooked lawyer to Justice - and I can prove it; but I can not get a lawyer because I am after this rotten crooked law.

In the Elkton Bank the Government closed it because business was done through the mail. The man went to jail because of mail fraud. The Bank deposit was \$1,450,000.00- it was all good. I received a letter saying they were looking for banks to take it over. About two weeks later I received a letter saying that they decided that best for all around was to liquidate- from this bank I received \$3,247.83 out of my deposit of \$7,186.00. From the bank in Baltimore I received \$2,544.00 out of my deposit of \$7,482.21. You see Mr. President, this rotten crooked law just gives it to the lawyer. I was told by a honest lawyer that most of this money is eaten up by the politicians at election time.

My Congressman the Honorable Mr. Burke refused to see me on this matter. I also went to see others and got the same treatment- telling me that this is a State Affair. This is not a State Affair when unfortunate people's life saving is eaten up by crooked lawyer and politicians. I also wrote a letter to the Attorney General Mitchell and stated my case, he is not even man enough to answer my letter. He sent it to the F.D.C. to answer it. Also, I wrote to the Supreme Court Justice Burger, he did not answer, but his Clerk answered my letter. Only thing he is good for is to uphold rotten crooked laws.

LIQUIDATION DIVISION
F.D.C.

DEC 5 11 02 AM '69

RECEIVED

The White House

-2-

November 21, 1969

If I do not get Justice inside of two weeks- I am going to send a copy of this letter to every well known citizen, every well known college and commentators- I have a few dollars left before the Government takes it in taxes- I shall put it in good use. I want my money from this crooked Receiver.

The Law should read- When a Bank fails and not insured by the Government - the person that is head of the Bank and one man appointed by the State- should liquidate the assests. It took seven years to liquidate and the lawyer gets 10% of the amount. I want a honest law and I want my money.

Very truly yours,

Stephen Teleki.

THE WHITE HOUSE OFFICE

GENERAL

FI 11

FI 11-4

FI 2

REFERRAL

To: The Secretary of the Treasury

Date: December 31, 1969

ACTION REQUESTED

- _____ Draft reply for:
- _____ President's signature.
- _____ Undersigned's signature.
- _____ Memorandum for use as enclosure to reply.
- _____ Direct reply.
- _____ Furnish information copy.
- ☒ Suitable acknowledgment or other appropriate handling.
- _____ Furnish copy of reply, if any.
- _____ For your information.
- _____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Despite tight money conditions, savings and loan associations continue to be the prime source of funds for residential housing, as noted by the Federal Home Loan Bank Board in its October 30, 1969 release:

Description:

☒ Letter: _____ Telegram: _____ Other: _____

To: The President

From: Paul Westerfield, President, Natl League of Insured Savings Assns, 1200-17th Street, N.W., Washington, D. C.

Date: 12/29/69

Subject: In considering Tax Reform Act of 1969, urge Adm review undue increase in Fed income taxation imposed on the savings and loan industry by the Tax Reform Act of 1969 -- lengthy letter.

By direction of the President:

RECEIVED

JAN 2 1970

CENTRAL FILES

Noble M. Melencamp
Staff Assistant
to the President

(White House File Copy)