

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date March 11, 1948.

To Chairman Eccles

Subject: _____

From Governor Draper

George Vest has just sent me the enclosed information with reference to recent action of the Senate Banking and Currency Committee concerning its report relating to Section 13-B of the Federal Reserve Act and S-408. Don't you think that either you or the Board ought to make a statement to the Committee concerning this matter so that they will not finally act without at least some protest from us?


E. G. D.

C O P Y

March 10, 1948.

Board of Governors

Proposed bill to amend RFC Act

Mr. Vest

We have obtained from the Senate Banking and Currency Committee a Committee print dated March 5, 1948, of a bill not yet introduced which would amend the RFC Act in the following principal respects:

Extension. - The powers of the RFC would be extended for 10 years from June 30, 1948, but the Corporation's corporate existence would continue until June 30, 1960.

Capital stock. - The Corporation's capital stock would be reduced from \$325,000,000, to \$100,000,000, the excess to be retired within 60 days. The Corporation would be required to make an annual financial report to Congress and to pay over to the Treasury each year the amount of the excess, if any, of its accumulated net income over \$50,000,000.

Lending powers. - The lending powers now possessed by the Corporation, including authority to make business loans, would not be changed; but, in restating the purposes for which business loans are authorized, the bill would insert the phrase "to encourage small business". In addition, the Corporation would be given new authority, substantially similar to that possessed by it prior to the Act of June 30, 1947, to purchase or make loans on nonassessable preferred stock of any bank, trust company, or insurance company which is certified by the Secretary of the Treasury to be in need of funds for capital purposes, and also to purchase capital notes or debentures of any such institution if it is not permitted by State law to issue nonassessable preferred stock.

Interest and maturities. - All loans and investments (except those for catastrophe purposes) would be required to bear interest or yield such return as to enable the Corporation to operate without loss. Maturities of loans and investments, including renewals or extensions, would be limited to 10 years with certain exceptions.

Participations. - Participation by the Corporation in any loan would be limited to 65 per cent of the outstanding amount of the loan where the total amount borrowed is \$100,000 or less and to 50 per cent where the amount borrowed is over \$100,000.

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Aggregate limitation. - The limitation on total loans and investments of the Corporation outstanding at any one time would be reduced from \$2,000,000⁰⁰⁰ to \$1,000,000,000.

Amendment to section 24 of Federal Reserve Act. - A technical amendment would be made to section 24 of the Federal Reserve Act to make it clear that business loans participated in by the RFC are not subject to the limitations upon loans made by national banks on real estate.

Miscellaneous. - Among minor changes in the law, the bill would increase the term of directors of the Corporation from two years to three years; authorize the President to designate one of the directors as Chairman; authorize loans to States as well as to municipalities and political subdivisions of States; dissolve the Federal National Housing Mortgage Association and transfer its assets to the RFC; and repeal the authority given the RFC last year to purchase surplus property for resale to small business.

3-10-48