

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 21, 1939, at 11:30 a. m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

Letter to the board of directors of "The Newberry State Bank", Newberry, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Minneapolis:

- "4. Such bank shall make adequate provision for depreciation in its banking house and furniture and fixtures."

Approved unanimously, together with a letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Newberry State Bank', Newberry, Michigan, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward

2/21/39

-2-

"to the Commissioner of the Banking Department for the State of Michigan for his information.

"It has been noted that the bank may, with the permission of the State Banking Commission, exercise certain trust powers but that such powers are not being exercised. Therefore, the application has been approved on the same basis as if the bank did not have trust powers and should it desire in the future to do a trust business, application for permission to do so should be made to the Board in accordance with the provisions of condition of membership numbered 1.

"On page 2 of the report of the membership examination the examiner states that existing loans to executive officers conform to the provisions of section 22(g) of the Federal Reserve Act except that the loan of \$5,100 to President Bohn exceeds the limit permitted by such section, and that the management was informed that the time limit during which existing loans to officers are to be reduced to a conforming amount expires on June 16, 1939. In this connection, your attention is directed to the Board's letter of December 30, 1937, S-59, to the effect that the provisions of section 22(g) and the Board's Regulation 'O' do not apply to loans made by banks to their executive officers prior to admission to membership. It is suggested that you correct any misstatements made to the bank with respect to this matter and also that the matter be brought to the attention of your examiners for their future guidance."

Letter to the board of directors of "The First State Bank", Granger, Texas, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas:

- "4. Such bank shall make adequate provision for depreciation in its banking house."

2/21/39

-3-

Approved unanimously, together with a letter to Mr. McKinney, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The First State Bank', Granger, Texas, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Banking Commissioner for the State of Texas for his information.

"According to the report of examination for membership, the bank has one loan to a director, carried in non-ledger assets, secured in part by 18-3/4 shares of its own stock, such stock having been taken as additional security to a debt previously contracted. A bank's own stock is not desirable as collateral, even in such circumstances, and it will be expected that as soon as practicable the bank will work out some plan whereby it will not be necessary to hold the stock as collateral."

Telegram to Mr. Parker, President of the Federal Reserve Bank of Atlanta, referring to the application of the "Farmers State Bank", Lincolnton, Georgia, for permission to withdraw immediately from membership in the Federal Reserve System, and stating that the Board waives the usual requirement of six months notice of intention to withdraw, and that, accordingly, upon surrender of the Federal Reserve bank stock issued to the Farmers State Bank, the Federal Reserve Bank of Atlanta is authorized to cancel such stock and make appropriate refund thereon. The telegram also stated that it was understood that the Farmers State Bank desired to continue without interruption its

2/21/39

-4-

status as an insured bank and that it was assumed that termination of its membership in the Federal Reserve System would be deferred until it could simultaneously be accepted by the Federal Deposit Insurance Corporation as a nonmember insured bank.

Approved unanimously, together with a letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"The Board has today approved the application of the 'Farmers State Bank', Lincolnton, Georgia, for permission to withdraw from membership in the System and waived the usual six months' notice of intention to withdraw.

"It is understood that the bank desires to continue, without interruption, its status as an insured bank and that it desires the insurance on deposits as a nonmember to become effective simultaneously with its termination of membership in the System.

"It is understood also that you may desire to make an examination of the bank; therefore, in accordance with the provisions of subsection (k)(2) of section 12B of the Federal Reserve Act, the Board hereby grants written consent for examiners for the Federal Deposit Insurance Corporation to examine the Farmers State Bank, Lincolnton, Georgia, in connection with its application for continuation of deposit insurance as a nonmember bank."

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

Paul J. Johnson
Vice Chairman.