

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 1, 1939, at 11:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 28, 1939, were approved unani-mously.

Letter to "The Deuel County National Bank of Clear Lake", Clear Lake, South Dakota, reading as follows:

"This refers to the resolution adopted on November 1, 1938, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has never actually accepted or undertaken the exercise of any trust, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k)

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"of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. Gough, Deputy Comptroller of the Currency, reading as follows:

"This refers to your letter of February 1, 1939, regarding the request of the National Marine Bank of Baltimore, Baltimore, Maryland, for advice as to the proper method of reporting repayments on installment loans. This question arises in connection with the revised form of condition report and, as stated in your letter, also involves reports for the purpose of computing reserves.

"It is understood from your letter and from information furnished by the Federal Reserve Bank of Richmond that the National Marine Bank makes loans which are payable in installments; that when payments are received a memorandum of the fact is made on a card record and the payment is entered in a receipt book kept by the borrower but the amount of the payment is not entered or noted on the back of the note; and that the bank carries on its general ledger among its assets the total amount of these installment loans and, in order to show the amount of payments received, carries among its liabilities the amount of payments received.

"Since these installments appear to be payments on the note which, under the contract between the bank and the borrower, immediately reduce the unpaid balance of the

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"loan when received by the bank, they should not be reported as deposits for reserve computation purposes. For your information, in the case of a State member bank, we would take the position that installment payments of this kind should not be reported in item 1(c) of schedule F of the condition report but that the net amount of the loans after deduction of such payments should be reported in the statement of assets and in schedule A of the condition report."

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

"This refers to your letter of January 28, 1939, and previous correspondence regarding the question whether certain repayments on installment loans made by The Colonial Trust Company, Pittsburgh, Pennsylvania, should be included in deposit liabilities in reports for reserve computation purposes and in call reports of condition.

"We understand that the Trust Company uses several types of notes in its personal loan department and that these notes fall into two classes for present purposes, namely, those providing for installment payments and those providing for periodic deposits by the borrower in an account which is assigned to the Trust Company as collateral security for the loan and which may be applied to the loan if it is not paid at maturity.

"As a matter of convenience to itself, the Trust Company accumulates amounts paid under the class of notes providing for installment payments in an account entitled 'Installment payment fund' and makes entries extinguishing the amount of the note and the accumulated payments from the respective accounts only after the full amount of the loan has been paid. Since it appears that under the contract embodied in the note form the periodic installments received by the bank constitute payments which, as between the Trust Company and the borrower, reduce the unpaid balance of the loan as soon as received by the Trust Company, these installments do not constitute deposits and should not be included in the deposit liabilities reported by the Trust Company for reserve computation purposes.

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"Furthermore, in preparing condition reports, even though the installment payments are carried on the Trust Company's books in a separate account and are not endorsed on the note at the time of receipt, they should not be reported in item 1(c) 'Repayments on installment loans not applied directly to loans' of schedule F 'Time Deposits', but should be deducted from the loans and discounts of the bank and only the net figure should be reported in the statement of assets and in schedule A, item 10.

"The other class of notes provides for periodic deposits in an account which is assigned to the Trust Company as collateral security for the repayment of the loan. Under the contract embodied in the note form used in connection with these loans, it appears that the amounts deposited in the assigned account do not reduce the unpaid balance of the loan but instead increase the deposit balance in the account pledged as security. As indicated in the ruling published at page 538 of the September 1931 Federal Reserve Bulletin and in the Board's letter of February 5, 1938 (S-72), these assigned deposits should be included in deposit liabilities in reports for reserve computation purposes. Likewise, they should be included in item 1(c) of schedule F in call reports of condition."

Letter to Mr. Parker, President of the Federal Reserve Bank of Atlanta, reading as follows:

"We have been informed by the Treasury Department that it has opened a 'time deposit, open account' with the Fulton National Bank of Atlanta, Georgia, and the First National Bank of Montgomery, Alabama. It is understood that each of these is a dormant account placed with the bank in order that it may be compensated for services rendered in connection with benefit payments authorized under the Social Security Act, and that the balance will be on a time basis and will not be withdrawn prior to the expiration of thirty days' written notice from the office of the Secretary of the Treasury.

"In the circumstances, the amount of such deposits should be reported as time deposits in the banks' reports for reserve computation purposes and in their reports of condition. As no provision has been made in the condition report forms for such deposits, please request each of the

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"banks to show the amounts thereof against item 2 of Schedule F of the quarterly condition reports. The caption of item 2 of Schedule F should be changed to read 'U. S. Treasurer's time deposit, open account', if the bank has no postal savings deposits; otherwise the caption should be expanded to read 'Postal savings deposits \$_____, U. S. Treasurer's time deposit, open account \$_____', and the total of the two amounts should be extended into the right-hand column. It is understood informally that this manner of showing the new class of deposits in condition reports is satisfactory to the Comptroller's office.

"The Fulton National Bank, which is a weekly reporting member bank, should be advised to report the new class of deposits in weekly reports in the same manner as outlined above for call reports. The amount thereof should be shown separately in your reports to the Board. In the Board's weekly press statement of condition of reporting member banks the deposit will be included in 'U. S. Government deposits'."

Approved unanimously.

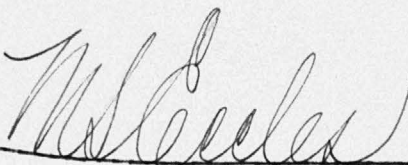
Letter to Miss Harriet Root, Chief, United States Information Service, reading as follows:

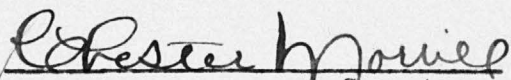
"In accordance with the request contained in your letter of January 4, 1939, there is enclosed a list of typical questions concerning the Federal Reserve System and answers thereto, for use by your office in complying with the request for information relating to the departments and agencies of the Federal Government to be available at the Federal buildings at the New York World Fair and the Golden Gate International Exposition."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.