

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 21, 1939, at 12:30 p. m.

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

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 March 20, 1939, were approved unanimously.

Memorandum dated March 20, 1939, from Mr. Smead, Chief of the Division of Bank Operations, submitting a letter dated March 17 from Mr. McKinney, President of the Federal Reserve Bank of Dallas, which requested approval by the Board of a change in the personnel classification plan of the bank to provide for the discontinuance of the position of "Supervisor of Transfers" in the Cash Department and the substitution therefor of a new position entitled "Assistant Manager" with a minor change in the description of work for such position. The memorandum stated that the proposed change had been reviewed and recommended that it be approved.

Approved unanimously.

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Letter to the board of directors of "The Merchants and Mechanics Bank of Flint", Flint, 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 Chicago:

- "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. Schaller, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Merchants and Mechanics Bank of Flint', Flint, 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 to the Commissioner of the Banking Department for the State of Michigan for his information.

"In view of the fact that the examiner has reported that the estimated losses shown in the report of examination for membership were charged off during the examination, the usual condition of membership regarding the elimination of estimated losses has not been prescribed.

"According to the report of examination for membership, the bank was holding 200 shares of its own stock as additional protection on an indirect liability to the bank of the owner of the stock. A bank's own stock is not desirable as collateral, even in such circumstances,

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"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."

Letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of March 8, 1939, advising the Board that, in order to provide for needed additional space and to profit by immediate action, the Monterey County Trust & Savings Bank, Salinas, California, received your permission to acquire, through purchase at a cost of \$5,500, the site and building now partially occupied by its branch at Greenfield, California.

"In the circumstances described in your letter, the Board is pleased to approve and confirm your action on behalf of the Board under the provisions of condition of membership numbered 8.

"Your suggestion that the Board may wish to amplify the authority granted under its letter X-8082 has also received consideration but it is felt that the authorization should not be extended generally to include the acquisition of new properties."

Approved unanimously.

Letter to the Presidents of all Federal Reserve banks, reading as follows:

"Attached is a copy of a letter dated March 7, 1939, from the Administrator of the United States Housing Authority, requesting advice as to whether it would be possible for the Federal Reserve banks to act as agents of the United States Housing Authority in connection with a proposed new plan for furnishing local housing agencies with necessary funds for the construction of low-rent housing projects.

"The plan contemplates the sale of bonds by the local housing agencies, the proceeds of such bond offerings to be deposited with the Federal Reserve banks and released to local depositaries of the local housing agencies

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"on the sole order of the United States Housing Authority from time to time as funds are needed for construction of the projects.

"The United States Housing Act of 1937 specifically directs the Federal Reserve banks to act as depositaries, custodians, and fiscal agents for the United States Housing Authority, and the Board sees no objection to the Federal Reserve banks acting in the capacity requested in the attached letter.

"It is understood that, if it appears to be necessary or desirable, existing agreements between the respective banks and the Authority will be modified to such extent as may be appropriate or new agreements will be entered into to cover the performance of these services."

Approved unanimously, together with the following letter to Messrs. Harrison, Fleming and Hamilton, Presidents of the Federal Reserve Banks of New York, Cleveland and Kansas City, respectively, in reply to their telegrams of February 23, February 21 and February 21, 1939, respectively:

"Reference is made to your telegram of _____ and to our letter of March 21, 1939, S-151, in regard to the desire of the United States Housing Authority to have the Federal Reserve banks receive the proceeds of securities sold by local housing agencies and to release them on the sole order of the United States Housing authority to local depositaries of the local housing agencies.

"The funds in question will, of course, belong to local housing agencies, although subject to release by the Federal Reserve banks only on instructions from the United States Housing Authority, and, therefore, are not of a character that would ordinarily be handled through the Treasurer's general account. From informal discussions it is understood that the Treasury is in accord with the proposed arrangement.

"Funds belonging to the United States Housing Authority itself will, of course, continue to be handled through the Treasurer's general account."

In connection with the above matter, the following letter to Mr. Nathan Straus, Administrator, United States Housing Authority, was also approved unanimously:

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"Reference is made to your letter of March 7, 1939, requesting advice as to whether it would be possible for the Federal Reserve banks to act as agents of the United States Housing Authority by receiving the proceeds of bond offerings by local housing agencies and releasing such funds to local depositaries of the local housing agencies, on the sole order of the United States Housing Authority from time to time as funds are needed for construction of the projects.

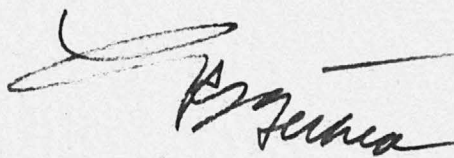
"The Board of Governors has no objection to the Federal Reserve banks acting in this capacity, and is so advising the Presidents of the Federal Reserve banks.

"It is understood that, if it appears to be necessary or desirable, existing agreements between the respective banks and the Authority will be modified to such extent as may be appropriate or new agreements will be entered into to cover the performance of these services."

Mr. Bethea suggested that the Board authorize the payment of the cost of the luncheon served to Mr. G. G. Coote, a member of the Board of Directors of the Bank of Canada, who had been a guest at luncheon in the Board's dining room today.

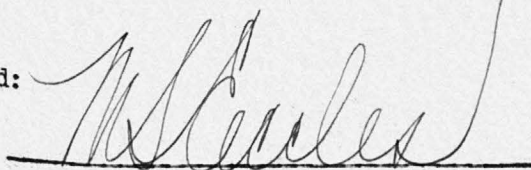
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.