

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, January 30, 1941, at 11:30 a.m.

PRESENT: Mr. Eccles, 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 January 29, 1941, were approved unanimously.

Memorandum dated January 23, 1941, from Mr. Nelson, Assistant Secretary, recommending, for the reasons stated in the memorandum, that Mildred Crews be appointed as a stenographer in the Office of the Secretary, with salary at the rate of \$1,620 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Letter to Mr. Drinnen, First Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Acknowledgment is made of your letter of January 9, 1941, enclosing statements showing the number and

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"salaries of the officers and employees of the Federal Reserve Bank of Philadelphia.

"In accordance with the action taken by your Board of Directors, the Board of Governors approves payment of a retaining fee, at the rate of \$2,500 per annum, to the firm of MacCoy, Brittain, Evans & Lewis, which was reappointed Counsel for the year 1941."

Approved unanimously.

Letter to Mr. Dillard, Secretary of the Federal Reserve Bank of Chicago, reading as follows:

"Referring to your letter of January 24, 1941, the Board of Governors approves the reappointment of Messrs. Max Epstein, R. R. Monroe, G. Barret Moxley, Walter Harnischfeger, and Martin H. Kennelly as members of the Industrial Advisory Committee for the Seventh District to serve for terms of one year each beginning March 1, 1941."

Approved unanimously.

Letter to Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"Referring to your letter of January 24, 1941, the Board of Governors approves the reappointment of Messrs. Wm. K. Norris, Jacob VanDyke, Maurice Weil, Edward J. O'Brien, Jr., and M. E. Finch as members of the Industrial Advisory Committee for the Eighth District to serve for terms of one year each beginning March 1, 1941."

Approved unanimously.

Letter to Mr. C. F. Palmer, Coordinator of the Office for Emergency Management, Division of Defense Housing Coordination, reading as follows:

"Receipt is acknowledged of your letter of January 24, 1941, enclosing a copy of a draft of a bill to amend

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"the National Housing Act which you advise you are about to recommend in order to make that Act effective in the expeditious provision of adequate suitable housing in areas of national defense activity.

"The proposed bill would provide for insurance by the Federal Housing Administrator, under a plan similar to that in the existing Title II of the National Housing Act, of mortgages or urban or suburban dwellings designed principally for residential use for not more than four families and located in areas or localities in which the President shall find that an acute shortage of housing exists or impends which would impede national defense activities. Among other things, it is provided that the amount of an insured mortgage is not to exceed 90 per cent of the appraised value of the property and there is no requirement, as in Title II, that the mortgagor shall be the owner and occupant of the property at the time of the insurance.

"Your letter states that since the power of national banks to lend on FHA insured mortgages is limited to those insured under Title II of the National Housing Act, this bill includes an amendment extending such power to the new title which would be added by the bill. Presumably the statement in your letter is intended to refer to the existing provisions of section 24 of the Federal Reserve Act under which real estate loans made by national banks insured under the provisions of Title II of the National Housing Act are exempt from the limitations of the section upon the relationship between the amount of the loan and the appraised value of the security and upon the period for which such a loan may be made. The proposed bill would amend section 24 of the Federal Reserve Act so as to provide a similar exemption from these limitations for real estate loans insured under the provisions of the bill.

"The insurance provisions for defense housing mortgages under the proposed new title of the National Housing Act are substantially the same as those for the insurance of mortgages under Title II of the National Housing Act and, accordingly, the Board of Governors sees no objection to the provision which would amend section 24 of the Federal Reserve Act to provide for the new type of insured mortgages the same exemption from the limitations in question as is now provided for mortgages insured under Title II of the National Housing Act. Inasmuch as this section of the law relates to the authority of national banks, it is possible that you may wish to consult

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"also the office of the Comptroller of the Currency with reference to this matter.

"Upon the question whether the proposal will satisfactorily meet the needs of the problem presented, the Board does not feel that it is in a position to express an opinion, and it is assumed that the adequacy of the bill in this respect has been fully considered. To some extent, of course, the success of the plan will depend upon the provisions of the regulations which may be adopted pursuant to the legislation.

"In reviewing the bill it has been noted that the debentures which would be issued by the Federal Housing Administrator in cases of default upon insured mortgages are to be exempt from all taxation except surtaxes, estate, inheritance, and gift taxes. A bill recently introduced in Congress which, it is understood, has the approval of the Treasury Department, would remove the exemption from taxation from obligations hereafter issued by the United States or any agency or instrumentality thereof, with a specific exception in favor of obligations which the Federal Housing Administration has already contracted to issue at a future date. This particular phase of the matter is mentioned for your consideration in case it has not already come to your attention."

Approved unanimously.

Mr. Draper suggested that the Board authorize the payment of the cost of the luncheon served to Mr. John D. Biggers, Office of Production Management of the National Defense Commission, in the Board's dining room today.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...
Chairman.