

31351 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 25, 1941, at 2:30 p.m.

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

Mr. Morrill, 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 24, 1941, were approved unanimously.

Memorandum dated March 14, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, for the reasons stated in the memorandum, that Margaret R. Garber be appointed as a clerk in the Division of Research and Statistics, with salary at the rate of \$1,440 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 the Presidents of all Federal Reserve Banks transmitting forms for use in connection with the next call for condition reports of State member banks and their affiliates.

Approved unanimously.

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Letter to Honorable Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, reading as follows:

"This is in reply to your letter of March 8 (received March 21), regarding the Floral Park Bank and Trust Company, Floral Park, New York.

"As you state, the bank has been in an unsatisfactory condition and efforts to place it in a satisfactory condition have been unavailing. Following the examination made last August, substantial changes in management were effected. Last summer the bank sought to obtain capital from the Reconstruction Finance Corporation but that Corporation refused -- and rightly so -- to consider any request for capital aid until the directors had paid the past due principal and interest on their notes given to the Reconstruction Finance Corporation for the purchase of preferred stock. The necessary payments were made last September and subsequently local interests raised substantial funds to be used in a rehabilitation program. After reviewing the situation, however, the Reconstruction Finance Corporation recently indicated its unwillingness to purchase preferred stock in the institution, which was an essential part of the rehabilitation program.

"You state that there does not appear to be any further program under consideration. Since the date of your letter the management has discussed with the State Banking Department and the Federal Reserve Bank of New York the organization of a new bank with \$80,000 local capital and \$160,000 preferred capital furnished by the Reconstruction Finance Corporation. Representatives of the bank also discussed the matter tentatively and informally with the Reconstruction Finance Corporation and gained the impression that the Reconstruction Finance Corporation would prove receptive if local capital could be raised.

"As for the future, there seem to be three possibilities:

1. Organization of a new bank to succeed the old one.
2. Assumption of deposit liabilities by the First National Bank and Trust Company, Floral Park, or some other bank.
3. Closing of the institution.

"Apparently each of the plans would involve financial outlay by the Federal Deposit Insurance Corporation, and it

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"is believed that the decision as to which of the plans should be followed should be determined by what is in the best interests of the community and of the Federal Deposit Insurance Corporation, which will have to bear the financial brunt in any case.

"In any event, the Board believes that the matter should be brought to a conclusion shortly and it is understood that this is the position both of the State Banking Department and of the Federal Reserve Bank, which have so advised the management of the Floral Park Bank.

"Mr. Taylor, your Supervising Examiner in New York, has been kept informed of developments, including the proposal for the organization of a new bank to assume the deposits of the old with the financial assistance of the Federal Deposit Insurance Corporation. In fact, he has participated in many of the conferences and undoubtedly will continue to keep in close touch with the situation. The Board also will be glad to keep you informed as to developments in the situation and would appreciate being kept advised, in turn, as to your views and position in the matter in the light of circumstances as they develop."

Approved unanimously.

Thereupon the meeting adjourned.

Roberta Morrie
Secretary.

Approved:

Donald Hanson
Vice Chairman.