

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, November 14, 1941, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. McKee
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 November 12, 1941, were approved unanimously.

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Mr. Sanford, Secretary of the Federal Reserve Bank of New York, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Bowman, Assistant Vice President of the Federal Reserve Bank of Atlanta, Mr. Dillard, Secretary of the Federal Reserve Bank of Chicago, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, and Mr. Gilbert, President of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the Federal Reserve Banks of New York, Richmond, Atlanta, Chicago, Minneapolis, and Dallas on November 13, 1941, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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Memorandum from Mr. Nelson, Assistant Secretary, submitting the resignation of Miss Arden Ball as a stenographer in the Secretary's Office, to become effective as of the close of business on November 15, 1941, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to the board of directors of the "Bordentown Banking Company", Bordentown, New Jersey, stating that, subject to conditions of membership numbered 1 to 6 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 Philadelphia:

- "7. Such bank shall make provision satisfactory to the Federal Reserve Bank of Philadelphia for the elimination or other disposition of the estimated losses totaling \$14,997.16 shown in the report of examination as of May 31, 1941, made in connection with the bank's application for membership."

The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the powers to act as surety and to guarantee real estate titles. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Bordentown Banking Company', Bordentown, New Jersey, 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 Banking & Insurance for the State of New Jersey for his information.

"In connection with condition of membership numbered 7, it is understood that you will require the bank to create a reserve to cover the amount of loss estimated in connection with the operations of the trust department, and to charge off or otherwise eliminate all other estimated losses prior to admission to membership except \$6,000 in loans and that amount will be charged off on or before December 31, 1941, if the Delaware River Sand Dredging Company has not paid from earnings \$10,000 on the principal of its obligations between May 31 and December 31.

"It has been noted that Mr. Hill feels that the directors have given satisfactory evidence of their appreciation of the need for certain major corrections in the institution's assets and operations and of their willingness and ability to effect such corrections. It has been noted also that, while the executive management needs strengthening, it is not considered advisable to suggest such action until the directors' loan committee has had an opportunity to realize, from its own experience over a period of several months, just how essential a stronger management is to the success of the institution. It is assumed that the Reserve Bank will of course follow the case closely, and the Board would like to be kept advised of the progress being made and as to the action taken or proposed with respect to strengthening the executive management.

"It has been noted also that, although the rate has been reduced materially, the bank has maintained annual

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"dividend payments on its stock notwithstanding the serious problems in the bank's asset condition. Without implying that the present dividend rate should be regarded as conservative, or even that any dividends should be paid until the problem matters have been worked out, it will be expected that the bank, as a member of the System, will at least not increase its dividend rate until an increase is fully justified by the condition of its assets."

Letter to "The Superior National Bank of Hancock", Hancock, Michigan, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for permission to exercise fiduciary powers, and grants you authority, effective if and when the proposed consolidation of The Superior National Bank of Hancock and the Superior Trust Company, both of Hancock, Michigan, is consummated under the charter of your bank and under the title of The Superior National Bank and Trust Company of Hancock, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Michigan, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"Upon receipt of advice from the Comptroller of the Currency that the proposed consolidation has been effected, a formal certificate evidencing your right to exercise fiduciary powers will be forwarded to you."

Approved unanimously.

Letter to Mr. Williams, Head of Department on Consumer Installment Credit of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of October 15, 1941

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"presenting three questions with respect to registration under Regulation W.

"It is believed that your first and third questions are covered in the material regarding the registration statement forwarded to you with the Board's letter (R-915) of October 31, 1941.

"Your second question concerns the registration requirements as they relate to the selling agents of such manufacturers as the Hoover Company. Your letter indicates that these selling agents are employed by the manufacturer, and that through house to house canvass they sell vacuum cleaners on an instalment basis. The paper is drawn to the name of the manufacturer. The branch office of the manufacturer then offers this paper to various retail stores and the manufacturer bills the stores for the cleaners on which the stores have discounted the contracts. The stores get a discount which covers both the finance charge and the equivalent of a retail mark-up. The manufacturer may carry such paper as he cannot distribute among the various stores. On the basis of these facts, the Board agrees with your view that the manufacturers should register under the terms of the Regulation, and that by so registering they automatically register their selling agents."

Approved unanimously.

Letter to Mr. Hagner, Assistant Cashier of the Baltimore Branch of the Federal Reserve Bank of Richmond, reading as follows:

"Receipt is acknowledged of your letter of November 6 enclosing a copy of the 'Wisconsin Building and Loan League Bulletin' for September, 1941, which contains a statement to the effect that the Federal Reserve Bank of Chicago has advised that where a building and loan association has a first mortgage on real estate, any additional advances for any purpose are not subject to Regulation W. The question is whether this advice can be reconciled with Interpretation W-30.

"It is our understanding that in some instances the holder of a first mortgage may make additional advances which are secured by the first mortgage. In such a case, of course, the credit is exempt under section 6(a) of the Regulation. However, as pointed out in W-30, if the lender

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"takes a second mortgage to secure the new advance, the exemption does not apply (although in this connection, it should be remembered that section 6(a) has been somewhat broadened, effective December 1).

"Accordingly, the statement contained in the 'Wisconsin Building and Loan League Bulletin' is not necessarily in conflict with W-30, although it certainly does not bring out the distinction referred to above. In view of the possibility of misunderstanding, we are sending a copy of your letter and the enclosure, as well as a copy of this reply to the Federal Reserve Bank of Chicago for their information.

"As requested, the copy of the Bulletin which you enclosed is returned herewith."

Approved unanimously.

Telegram dated November 13, 1941, to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Preliminary review of Transamerica reports of examination, requested in your letter of October 24 to Governor McKee, has not been completed. Suggest you withhold delivery of reports to Corporation until receipt of our letter which will follow."

Approved unanimously.

Letter dated November 13, 1941, to Mr. Neil H. Jacoby of the Financial Research Program, National Bureau of Economic Research, New York, New York, reading as follows:

"This is in reply to your letter of November 1, addressed to Mr. Thomas, enclosing four tables based on Federal Reserve data, and requesting permission to include these tables in the forthcoming study of the National Bureau of Economic Research, 'Term Lending to Business'. There is no objection to your publishing the data contained in the tables in their present form."

Approved unanimously.

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

"Receipt is acknowledged, with thanks, of your letter of November 3, 1941, in which you furnished the Board, in response to its circular S-372 of October 11, 1941, with certain information in connection with employee participation in the pay roll deduction plan for the purchase of Defense Savings securities.

"We are preparing a summary statement relative to the sale of Defense Savings securities to Reserve Bank employees through the pay roll deduction plan, and, in order that we may have the information for your Bank on a comparable basis with that received from the other Reserve Banks, it will be appreciated if you will furnish the Board with the total number of officers and employees of your Bank and Branches as of June 30 and September 30, 1941, and the number participating in the pay roll deduction plan as of those dates.

"It will also be appreciated if you will confirm that the aggregate deduction figures given in the second paragraph of your November 3 letter are inclusive of the Branches, as well as the Head Office, of your Bank."

Approved unanimously.

Letter dated November 6, 1941, to Mr. Curtiss, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"The contents of your letter of October 27 and the enclosures were discussed yesterday during an executive session of the Board, Mr. Ransom being absent, and I have been asked to express the appreciation of the members of the Board of the time and effort that you and Mr. Young have given to the matter of the negotiations with Mrs. Hamlin regarding the portrait and the diaries. The approach of the Board to this matter, as you know, has been governed by a sympathetic consideration of Mrs. Hamlin's situation and not through any desire to obtain the portrait and diaries unless, as the Board had understood, she wished to dispose of them.

"In view of the situation as you have described it, the members of the Board do not feel that there is anything further that can or should be done at this time,

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"unless the Federal Reserve Bank of Boston should wish to purchase the portrait for its own account, in which case the Board would interpose no objection."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris

Secretary.

Approved:

W. S. Cullen

Chairman.