

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 1, 1942, at 11:00 a.m.

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

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 September 30, 1942, were approved unanimously.

Memorandum dated September 25, 1942, from Mr. Stark, Assistant Director of the Division of Research and Statistics, recommending that Mrs. Agnete Laursen be appointed as an economic assistant in that Division, with salary at the rate of \$2,000 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.

Memorandum dated September 24, 1942, from Mr. Stark, Assistant Director of the Division of Research and Statistics, recommending that Mrs. Margaret Elizabeth Mitchell be appointed as a clerk in that Division, with salary at the rate of \$1,740 per annum, effective as of the

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date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated September 29, 1942, from Mr. Morrill, recommending that the following increases in salaries of employees in the Secretary's Office be approved, effective as of October 1, 1942:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Service Functions</u>			
Ralph Sherrod	Junior Operator (Duplicating Devices)	\$1,260	\$1,380
Mary A. Deuterman	Clerk	1,440	1,560
Jessie Sexton	Telephone Operator	1,440	1,560
Claiborne Johnson	Mail Clerk	1,560	1,680
Warren Kidwell	Junior Operator (Duplicating Devices)	1,620	1,800
F. L. Watkins	Senior Mail Clerk	1,860	1,980
Walter Peregory	Operator (Duplicating Devices)	1,860	2,040
Stanley Bloch	Foreman Operator (Duplicating Devices)	2,300	2,500
Raymond Twomey	Foreman Operator (Duplicating Devices)	2,300	2,500
Joseph E. Kelleher	Supervisor, Duplicating and Mail Section	2,700	2,900
<u>Secretarial and Administrative</u>			
Lenwood Corbin	Page	1,200	1,260
Enid W. Staley	Clerk	1,440	1,560
Kenneth Emery	Supply Clerk	1,440	1,500
Charles Overmiller	Clerk	1,500	1,620
J. J. Yilek	Supply Clerk	1,500	1,620
Harry E. Kern	Clerk	1,620	1,740
John N. Kiley, Jr.	Supervisor, Procurement Section	2,700	2,900

Approved unanimously.

Letter to Mr. Paddock, President of the Federal Reserve Bank of Boston, reading as follows:

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"In accordance with the request contained in your letter of September 25, 1942, the Board approves the appointment of Richard Irving Gilman as an assistant examiner for the Federal Reserve Bank of Boston. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"This is in reply to your letter of September 24, 1942, with respect to the appointment of Mr. Harry M. Boyd, as Manager of the newly created Savings Bond Redemption Department.

"The Board of Governors approves the payment of salary to Mr. Boyd at the amount fixed by your directors; i.e., at the rate of \$5,250 per annum, his present salary, for the period September 25th through September 30, 1942, and at the rate of \$6,000 per annum effective October 1, 1942, for the period ending March 31, 1943, subject to his reappointment as an officer of the bank for the period from the first meeting of the directors in January 1943, to March 31, 1943."

Approved unanimously.

Letter to the board of directors of the "Tipton State Bank", Tipton, Iowa, 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. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$5,653.04, as shown in the report of examination of such bank as of August 31, 1942, made by an examiner for the Federal Reserve Bank of Chicago."

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The letter also contained the following special comment:

"It appears that although the bank possesses authority to exercise fiduciary powers, on the date of examination for membership it was administering only two trust accounts, and it is understood that the trust department is to be discontinued as soon as these accounts are closed out. In the circumstances the application has been approved on the same basis as if the bank were not exercising fiduciary powers and attention is called to the fact that if the bank should desire in the future to exercise such powers, other than to the extent necessary in connection with the accounts now being administered, it will be necessary under the provisions of condition of membership numbered 1 to obtain the Board's permission to do so."

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

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

"Reference is made to your letter of September 22, 1942, in which you raise certain questions as to the amount which should be reported in Column 4 of Form F. R. 579. There is attached a copy of a letter we have written to the other Federal Reserve Banks, partly to cover the questions raised in your letter and partly because several Banks were not reporting amounts under Column 4 of the form correctly.

"With reference to the purposes which Form F. R. 579 was designed to serve, it was not intended to reflect a cumulative record of loans to finance war production but primarily to provide information as to (1) the outstanding liability of the War Department, Navy Department, or Maritime Commission on guaranteed loans and (2) any additional amount for which they might become liable under outstanding guarantee agreements, as of the date of the report."

Approved unanimously, together with the following letter to the Presidents of all the Federal Reserve Banks, except Richmond:

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"It has been brought to our attention that some of the Reserve Banks are not reporting amounts properly in Column 4 on Form F. R. 579.

"The amount to be reported in Column 4 should be the sum of (1) the amount outstanding on the loan and (2) any additional amount available to the borrower on date of the report. The following will serve for purposes of illustration:

"1. If a straight loan has been advanced in full the amount to be entered in Column 4 will be the same as the amount outstanding, reported in Column 7.

"2. If a straight loan is being advanced in installments and the total amount has not been advanced and no repayments have been made, the amount to be entered in Column 4 will be the total amount authorized to be advanced under the guarantee agreement.

"3. If a credit is being advanced as needed and repayments are made in the interim, the amount to be entered in Column 4 will be the amount outstanding as shown in Column 7 plus the difference, if any, between the total amount authorized to be advanced and the total of amounts actually advanced.

"4. In the case of a simple revolving line of credit the amount to be reported in Column 4 will be the aggregate amount which under the guarantee agreement may be outstanding at any one time regardless of whether any amount is outstanding at the time.

"5. In case a revolving line of credit has a condition attached limiting the total amount that may be advanced under the agreement, the amount to be entered in Column 4 will be the maximum which may be outstanding at any one time or the sum of the amount actually outstanding and the amount which may still be advanced under the agreement, whichever is smaller.

"6. In case a revolving line of credit has a condition stipulating that the amount outstanding at any time shall not exceed a designated percentage of the amount of monies due or to become due under the contract or contracts assigned to secure the loan, the amount to be entered in Column 4 will be the amount of the line of credit or, if smaller, an amount equal to the designated percentage of the remaining assigned payments under the assigned contract or contracts. It is assumed that this latter information will be obtained from financing institutions at the end of each month.

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"If a loan has been paid and the guarantee agreement terminated at the report date, but the loan is listed on Form F. R. 579 inasmuch as there was an amount outstanding at the end of the preceding month, nothing will be reported in Column 4. In this connection it has been suggested that final liquidations of loans under a guarantee agreement or other terminations be explained in the 'Comments' column."

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

"Reference is made to your letter of September 21, 1942, in which certain questions are raised as to guarantee fees accrued or collected on behalf of the War Department, Navy Department, and Maritime Commission.

"The quarterly period for computation of the guarantee fee should begin with the date of the first advance made in contemplation of the guarantee agreement. If the financing institution makes an advance prior to the actual execution of the guarantee agreement but such advance is made after the approval of the guarantee, the fee would accrue from the date of such advance rather than the date of the guarantee agreement.

"With respect to waiving the collection of nominal amounts of interest or guarantee fees, or disregarding overpayments in connection with loans that have been repaid in full, it is quite possible that the Federal Reserve Banks may be asked to furnish detailed data as to how the amount of the fees is arrived at, and, if so, it is doubtful whether the General Accounting Office would accept anything less than the exact amount due. Whether you wish to take up with financing institutions nominal differences in amounts due is a matter for determination by your Bank, but in any case it is suggested that the Government be credited with the exact amount of fees due on each guaranteed loan. On an outstanding loan there is, as you assume, no objection to carrying forward from one period for adjustment in the next period a small difference between the amount due and the amount remitted by the financing institution."

Approved unanimously, with the understanding that copies of the above letter would be sent to the Presidents of all the Federal Reserve Banks except Atlanta.

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Letter to Mr. Chalfont, Managing Director of the Detroit Branch,
Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of September 18, 1942, addressed to Mr. Cravens, enclosing a copy of a letter from Mr. J. F. Verhelle, Vice President and Controller, The Manufacturers National Bank of Detroit, dated September 15, 1942, regarding the meaning of the words 'original maturity' as used in the next to the last sentence of section 1 of the standard form of guarantee agreement.

"It is our understanding that the words 'original maturity' as here used were intended to refer to the expressed maturity of a loan and were not intended to refer to an accelerated maturity, whether automatic or otherwise. Moreover, with respect to any particular advance made by the financing institution which is subject to the guarantee, the 60-day period during which demand must be made for purchase by the Guarantor begins with the date of maturity of the note representing such advance, regardless of the fact that there may be an agreement between the bank and the borrower for a revolving credit extending over a period of years during which time further advances may be made and further notes executed.

"Accordingly, in the example cited in Mr. Verhelle's letter, the 60-day period would begin to run on September 15, 1943, the maturity date of the note, irrespective of the fact that the loan agreement extends until September 1, 1946, or the fact that an event of default occurs on January 15, 1943, which, under the loan agreement, operates to accelerate maturity.

"While we have not submitted this matter to the armed Services, we shall be glad to take the question up with the particular Agency concerned if the question should become material in any particular case."

Approved unanimously, together with letters transmitting copies of the incoming letter and the above reply to Lieutenant Colonel Paul Cleveland, Chief of the Loan Section, Advance Payment and Loan Branch of the Fiscal Division, War Department, Mr. Sidney A. Mitchell, Chief of Finance Section, Office of Procurement and Material, Navy Department, and Mr. B. B. Griffith, Assistant to Director of Finance, United States Maritime Commission.

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Letter to the Comptroller General of the United States, reading as follows:

"Reference is made to your letter of September 25, 1942, in which it is stated that you understand certain checks issued by the Board of Governors of the Federal Reserve System (particularly the Gold Certificate Fund), when paid by the Treasurer of the United States, are returned to the Board.

"Pursuant to the authorization contained in paragraph 16 of Section 16 of the Federal Reserve Act, the Federal Reserve Banks and Federal Reserve Agents maintain deposits of gold certificates with the Treasurer of the United States. Withdrawals from these accounts are made by check but the checks drawn on the accounts are not, as you assume, returned to the issuing office. The question of having such checks sent to your office should, therefore, be taken up with the office of the Treasurer of the United States."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 17, 1942, for printing of \$50,400,000 of Federal Reserve notes of the 1934 series for the Federal Reserve Bank of St. Louis in the \$5 denomination."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. C. C. C.
Chairman.