

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, October 22, 1942, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum dated October 20, 1942, from Mr. Morrill, recommending that Miss Cora Lee Hatch be appointed as a junior file clerk in the Secretary's Office, 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.

Memorandum dated October 17, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, stating that, in accordance with the policy on confinement cases adopted by the Board on November 10, 1941, Mrs. Eleanor S. Frase, a junior economist in that Division, would be required to take leave on November 1, 1942, because of approaching confinement, and recommending, (1) in view of the urgent need for her services in the Division, that she be granted permission to remain at the office from November 1 through November 15, 1942, and (2) that she be granted leave of absence from November 16, 1942, to May 31, 1943, inclusive, the period from May 25 to May 31, 1943, inclusive, to be without pay, with the understanding that in accordance with the policy adopted on November 10, 1941,

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her reemployment would not take place automatically but only after a review of the situation by the Board upon recommendation of the division head. The memorandum also stated that during Mrs. Frase's absence without pay the Board would continue to make its contributions to the retirement system on her behalf provided she continued her own contributions for the same period.

Approved unanimously.

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

"This will acknowledge your letter of October 8, 1942, advising that First Vice President F. Guy Hitt has been designated as the officer in charge of the Bank Examination Department. This designation meets with the approval of the Board and the Board approves also the appointment of Mr. Hitt as an examiner for the Federal Reserve Bank of St. Louis."

Approved unanimously.

Letter to "The Capital National Bank in Austin", Austin, Texas, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, and receiver, 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.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course.

Approved unanimously.

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

"We have received and read with interest your letter of October 13, 1942, and enclosures regarding your discussion on October 7 of the unsatisfactory features of the condition of the American Bank & Trust Company, New Orleans, Louisiana, with members of the bank's executive committee and representatives of the Louisiana Banking Department.

"It is encouraging to note the assurances of future cooperation given at the conference by President Legier and his associates. It is hoped and expected that full and adequate steps will be taken by them without undue delay to translate into action the pledges made for elimination of criticisms of the institution and its management. It will be appreciated if you will continue to keep the Board advised of developments in this situation."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks, except Cleveland, reading as follows:

"For your information there is enclosed copy of a letter written in response to an inquiry from a Federal Reserve Bank with respect to the treatment in earnings and expense reports of Federal Reserve Banks of guarantee fees paid on loans guaranteed pursuant to Executive Order 9112."

Approved unanimously, the letter referred to above reading as follows:

"This is in further reference to your letter of August 18, 1942, inquiring as to whether guarantee fees paid by Federal Reserve Banks on advances made by them under Section 13b of the Federal Reserve Act and guaranteed by the War Department, Navy Department, or Maritime Commission should be included with expenses or deducted from gross earnings.

"After further reviewing this matter, it seems to us on the whole that such fees should be deducted from gross earnings and it will be appreciated if you will have them so deducted in reports submitted to the Board by your Bank."

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Memorandum dated October 21, 1942, addressed to the War Loans Committee by Mr. Vest, Assistant General Attorney, reading as follows:

"There is attached a memorandum from the War Department with reference to Government loans and advance payments to a borrower whose previous borrowing has been guaranteed pursuant to Regulation V. Very briefly, the memorandum states that:

"The loan agreement may permit the borrower to accept advance payments or Government loans if the financing institution is first given an opportunity to extend the necessary credit and fails to do so and a Financial Contracting Officer of the War Department approves.

"If such a provision is put in the loan agreement, the guarantee agreement may, upon request of the financing institution, provide that in the event that the aggregate indebtedness of the borrower exceeds a certain sum, then the financing institution and the guarantor will undertake by negotiation to agree to an adjusted percentage of the guarantee, and, if they cannot agree, then the guarantee will be stepped up automatically to a certain percentage which is to be specified in advance. In such event the percentage of the guarantee fee will be increased.

"The War Department requests that the information in the memorandum be sent to the Federal Reserve Banks, and there is attached a letter for that purpose."

Approved unanimously, together with a letter to the Presidents of all the Federal Reserve Banks, referred to in the above memorandum, reading as follows:

"The Board has received from the War Department a memorandum dated October 19, 1942, signed by Lieutenant Colonel Paul Cleveland, relating to the inclusion in loan agreements of provisions relating to the acceptance of advance payments and Government loans by borrowers whose loans have been guaranteed; and a copy of the War Department's memorandum is enclosed herewith. It will be noted that this memorandum supplements and modifies the War Department's memorandum of September 7, 1942, a copy of which was enclosed with the Board's letter of September 12, 1942."

Thereupon the meeting adjourned.

Approved:

for FRASER
St. Louis Fed. Org.

[Signature]
Chairman

[Signature]
Secretary.