

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, April 17, 1943, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. McKee  
Mr. Draper  
Mr. Evans

Mr. Morrill, Secretary  
Mr. Bethea, 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 April 16, 1943, were approved unanimously.

Memorandum dated April 15, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Julius Margolis be appointed as a junior economist in that Division on a temporary basis for a period of not to exceed three months, with basic salary at the rate of \$2,700 per annum, with the understanding that he will not become a member of the retirement system.

Approved unanimously, effective as of the date upon which he enters upon the performance of his duties.

Memorandum dated today from Mr. Morrill, recommending that the temporary appointments of the following cafeteria helpers in the Secretary's Office be extended for additional periods of not to exceed 60 days from the expiration dates of their present appointments, with no change in their present salaries at the rate of \$1,080 per annum each:

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<u>Name</u>	<u>Expiration of present appointment</u>
Pauline Warmke	Apr. 18, 1943
Sallie K. Farrow	Apr. 22, 1943
Ray Schwartz	Apr. 25, 1943
Annie Bates	May 3, 1943

Approved unanimously.

Letter to Mr. Hays, Vice President and Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

"Referring to your letter of April 14, 1943, the Board of Governors approves the payment of a retainer fee to the firm of Squire, Sanders, and Dempsey at the present rate of \$5,000 per annum for the period from May 1 to June 30, 1943."

Approved unanimously.

Letter to the board of directors of the "Walnutport State Bank", Walnutport, Pennsylvania, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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.

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 business, such as the power to act as surety in certain circumstances. 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 'Walnutport State Bank', Walnutport, Pennsylvania, 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 Secretary of Banking for the Commonwealth of Pennsylvania for his information.

"In view of all the circumstances involved, the Board is not undertaking to rule on the question of whether, after the bank's admission to membership, the relationship of Mr. Ervin H. Bittner with the applicant bank and the State Capital Savings and Loan Association, Harrisburg, Pennsylvania, will be in conflict with the provisions of Section 32 of the Banking Act of 1933. However, the bank should be advised that if the relationship is terminated, the matter should be submitted to the Board for further consideration before any other individual connected with the bank succeeds Mr. Bittner as agent for the savings and loan association.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts listed on page 16 of the report of examination for membership and the requirements with respect to savings deposit withdrawals."

Letter to the board of directors of the "Miners' and Merchants' Bank", Chelan, Washington, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 San Francisco.

The letter also contained the following special comment:

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"It has been noted that the bank has outstanding common capital stock of \$25,000, which is in excess of the figure at which the stock is shown on the books of the bank. In this connection the Board feels that the bank should, as soon as practicable, take such action within its power as may be necessary to cause the common stock to be shown at its par value."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Miners' and Merchants' Bank', Chelan, Washington, 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 Supervisor of Banking for the State of Washington for his information.

"It has been noted that the retirement of \$1,300 principal amount of debentures in 1941, the last retirement made, was approved by the F.D.I.C. on condition that \$1,300 be set up in a reserve for dividends payable in common stock, and the supervising examiner for the F.D.I.C. says in this connection that it was contemplated that as the remaining debentures were retired the bank's common stock would be increased by \$10,000. The present basic capital of \$25,000 is of course not in keeping with the size of the bank and no doubt you expect to encourage a program, and its consummation as early as is feasible, which will bring the basic capital to a more nearly commensurate figure.

"In order that the Board's records may be complete, it will be appreciated if you will forward a copy of the form of capital debentures which the bank has sold to the Reconstruction Finance Corporation."

Statement for the press for release in the morning newspapers of April 19, 1943, reading as follows:

"A new standard form of guarantee agreement, dated April 6, 1943, has been adopted by the War Department, Navy Department, and United States Maritime Commission after consultation with the Board of Governors of the Federal Reserve System and others, for uniform use in guaranteeing loans for war production purposes pursuant to the President's Executive Order 9112

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"of March 26, 1942, and the Board's Regulation V. The new form of agreement incorporates, in large measure, the substance of the form heretofore in use and the general intent of the agreement remains the same.

"To March 31, 1943, i.e., during the first year of operations under Executive Order 9112 and the Reserve Board's Regulation V, the War Department, Navy Department and Maritime Commission, acting through the Federal Reserve Banks, authorized 3,534 guarantees for war production loans totaling \$3,725,741,000. According to preliminary figures received from the Federal Reserve Banks, advances to borrowers on guaranteed loans amounted to \$2,224,688,000 of which \$979,682,000 was repaid, leaving unpaid balances of \$1,245,006,000 on March 31. The guaranteed portions of loans outstanding aggregated \$998,764,000, or 80 per cent on the average. In addition to the amounts outstanding on March 31, \$1,866,302,000 was available to borrowers under guarantee agreements in force.

"About 39 per cent of all loans for which guarantees were authorized were for amounts of not more than \$50,000 and 55 per cent were for amounts of not more than \$100,000, as is shown in the following table:

<u>Amount of loan</u>	<u>Per cent of total number</u>	<u>Cumulative percentage</u>
Up to \$5,000	4.6	4.6
\$5,001 to \$10,000	6.1	10.7
\$10,001 to \$25,000	13.3	24.0
\$25,001 to \$50,000	14.6	38.6
\$50,001 to \$100,000	16.6	55.2
\$100,001 to \$250,000	16.4	71.6
\$250,001 to \$500,000	10.6	82.2
\$500,001 to \$1,000,000	7.1	89.3
\$1,000,001 to \$5,000,000	8.3	97.6
\$5,000,001 to \$10,000,000	1.2	98.8
\$10,000,001 to \$25,000,000	.7	99.5
\$25,000,001 to \$50,000,000	.3	99.8
Over \$50,000,000	.2	100.0"

Approved unanimously.

Telegram to the Presidents of all the Federal Reserve Banks, reading as follows:

"Retel April 13 revising reserve computation form, suggest that member banks be advised by footnote on revised reserve computation form F.R. 414, by footnote on revised weekly

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"and semi-monthly deposit report forms, or in some other manner, that for the purpose of such reports any deposits payable to the United States representing proceeds of sales of War Savings Bonds, Series E, in banks qualified as issuing agents under Treasury Department Circular 657 dated April 15, 1941, should be included with 'War loan deposits of United States Government'."

Approved unanimously.

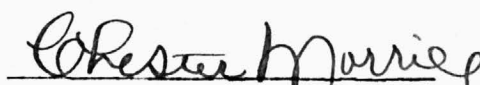
Memorandum dated April 13, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, referring to the arrangement which took effect the week of April 5 for Frank Tamagna of the Federal Reserve Bank of New York, who spends two days a week at the Board of Economic Warfare, to spend one further day a week in the Board's Division of Research and Statistics working on the Military Government Handbook project, and recommending that the Board, in addition to paying Mr. Tamagna the usual per diem allowance of \$6.00 for the day spent at the Board, pay one-third of his traveling expenses. The memorandum stated that the Board of Economic Warfare had agreed to pay the other two-thirds of Mr. Tamagna's traveling expenses and that, in order to simplify the accounting procedure, the Board of Governors would pay such expenses every third week and the Board of Economic Warfare the other two weeks.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.