

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 24, 1944, 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. 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 February 22, 1944, were approved unanimously.

Memorandum dated February 19, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Mrs. Zelpha Cron be appointed as a clerk in that Division, with basic salary at the rate of \$1,860 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 February 21, 1944, from Mr. Leonard, Director of the Division of Personnel Administration, recommending that Mrs. Edna B. Hardesty be appointed as Substitute Nurse, with compensation

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at the rate of \$6 per day plus overtime at the rate of 15 per cent for each calendar day worked, including Sundays and holidays falling between days worked. The memorandum stated that, in view of the intermittent employment of Mrs. Hardesty, she would not become a member of the retirement system.

Approved unanimously.

Letter to Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Charlotte Branch, involving the establishment of the positions of Welfare Supervisor and Securities Custodian, as submitted with your letter of February 18, 1944."

Approved unanimously.

Letter dated February 23, 1944, to Mr. West, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"In accordance with the request contained in your letter of February 11, 1944, the Board approves the appointment, effective March 1, 1944, of George C. Muir, at present an assistant examiner, as an examiner for the Federal Reserve Bank of San Francisco."

Approved unanimously.

Memorandum dated February 19, 1944, from Mr. Leonard, Director of the Division of Personnel Administration, stating that, in view of the discussion at the meeting of the Board on February 11, 1944, with respect to directors of branches of the Federal Reserve Banks, the Personnel Committee had suggested that the third sentence of section

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3(b) of the Board's Regulations Relating to Branches of Federal Reserve Banks be amended, and recommending that it be changed to read as follows (deletions are shown by canceled type and additions by capital letters):

"The directors appointed by the Board of Governors shall be persons who are actively engaged in ~~agriculture, industry or~~ commerce, AGRICULTURE, SOME OTHER INDUSTRIAL PURSUIT, OR THE PRACTICE OF A PROFESSION, and who are not primarily engaged in banking AND PREFERABLY ARE NOT DIRECTORS OF BANKS, (although they may be stockholders ~~or directors of banks~~)."

Approved unanimously.

Letter dated February 23, 1944, to the board of directors of the "Citizens State Bank", Cadott, Wisconsin, 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 Minneapolis.

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

Telegram to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the application of "The Industrial State Bank of Houston, Texas", Houston, Texas, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas. The

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telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval and the following special comment would be forwarded to the applicant bank through the Reserve Bank:

"It appears that the bank possesses the power to issue and sell investment certificates, which power is not necessarily required in the conduct of a banking business. Attention is called to the fact that if the bank should desire to exercise such power, it will be necessary under condition numbered 1 to obtain the permission of the Board of Governors before doing so."

The telegram also contained the following additional statement:

"Pursuant to the provisions of Section 19 of the Federal Reserve Act, the Board of Governors grants permission to the subject bank to maintain the same reserves against deposits as are required to be maintained by banks not in reserve or central reserve cities. This permission is subject to revocation at any time by the Board of Governors."

Approved unanimously.

Letter to Mr. Wallace, Counsel of the Federal Reserve Bank of Richmond, reading as follows:

"We regret the delay in answering your letter of January 18, 1944, which was caused by circumstances beyond our control. Your letter refers to an inquiry which you have received under Regulation W relating to a proposed extension of credit to replace a boiler which forms a part of the heating plant in a home.

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"As you point out, section 8(e) would not be available because of the change in NHA General Order 60-4A made by General Order No. 60-4B, which eliminated the exception applicable to projects designed to maintain the habitability of a house in a defense area. Incidentally, this provision was eliminated because it led to so much abuse and because it seemed likely that most of the legitimate repairs of the kind involved had already been taken care of. You will note that proposed amendment No. 11 contains a provision which would amend section 8(m)(1) so as to take care of an emergency of the kind described in the present inquiry.

"You mention the fact that the house is owned by the occupant but is subject to a deed of trust constituting a first lien and securing a note of \$3,000. If the owner could borrow the cost of a new boiler from the holder of the note and have the loan secured by the deed of trust (or by another deed of trust as described in W-128), the loan would be excepted by section 8(a) of the Regulation. This might possibly be a way of dealing with the problem."

Approved unanimously.

Letter to Mr. C. A. McClung, President of McClung & Morgan Stores Company, Inc., South Charleston, West Virginia, reading as follows:

"This will acknowledge your letter of February 15, 1944, concerning the continuation of Regulation W in the post-war period.

"The Board has taken no part in the discussion of this matter but is glad to have the arguments on both sides fully explored. We hope that the question will be given careful consideration by all retailers and lenders so that in the end if Congress is asked to consider the matter it can do so in the light of a full discussion of the various problems involved.

"We have received a number of communications both favorable and unfavorable to the proposal and have been impressed by the thought which has been devoted to the question."

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Approved unanimously, together with similar letters to Mr. H. T. Johnson, Manager of the Jorrie Furniture Company, San Antonio, Texas, and Mr. A. J. Lipsky, Credit Manager of the Troy Covering Shop, Troy, New York, with respect to their letters of February 17, 1944.

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

"As requested in your letter of February 17, the Board has increased to a total of \$1,000,000,000 the authority heretofore given to your Bank to purchase United States Government securities for the account of foreign central banks and governments."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. Steeles
Chairman.