

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 12, 1944, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. McKee
Mr. Evans

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 of this date from Mr. Bethea recommending (1) that Miss Geraldine A. Chapman be appointed as a cafeteria helper in the Secretary's Office on a temporary basis for a period of not to exceed 90 days, with basic salary at the rate of \$810 per annum plus supplemental overtime compensation of 15 per cent on the basis of six hours for each working day, effective July 12, 1944, and (2) that a deduction of \$6 per month for meals be made from Miss Chapman's compensation inasmuch as she will have only one meal a day. It was not contemplated that Miss Chapman would become a member of the Federal Reserve retirement system.

Approved unanimously.

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

"As requested in your letter of July 7, 1944, the Board of Governors approves payment of salary to Mr.

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"Clifton R. Gordon, Special Attorney, at the rate of \$6,500 per annum, effective July 1, 1944."

Approved unanimously.

Letter to Mr. Brainard, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of June 30, 1944, the Board of Governors approves the appointment of Miss Anne J. Erste as Alternate Assistant Federal Reserve Agent at your Bank, effective when she enters upon her duties, at an annual salary of \$1,800, which is the salary she was receiving in this position at the time of her resignation.

"As indicated in the Board's letter of October 17, 1942, in connection with the original appointment of Miss Erste as Alternate Assistant Federal Reserve Agent, this approval is also given with the understanding that she will be placed upon the Agent's payroll and will be solely responsible to you, or, during a vacancy in the office of Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors for the proper performance of duties. When not engaged in the performance of her duties as Alternate Assistant Federal Reserve Agent she may, with the approval of the Federal Reserve Agent, or during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with her duties as Alternate Assistant Federal Reserve Agent.

"It is noted in your letter that the necessary steps will be taken to effect surety coverage for Miss Erste. However, she should not enter upon the performance of her duties as Alternate Assistant Federal Reserve Agent until her bond has been examined by your counsel to determine whether its execution complies fully with the rules printed on the reverse side thereof, following which, the bond should be forwarded to the Board promptly for approval. Miss Erste should also execute a new oath of office as Alternate Assistant Federal Reserve Agent.

"With respect to the bond covering Mrs. Fry, which has been examined by your counsel and is in effect, although

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"it has not been approved by the Board, please forward it at the same time you forward the new bond covering Miss Erste and the Board will arrange to release the Bonding Company from further liability on Mrs. Fry's bond as of the date Miss Erste assumes the duties of Alternate Assistant Federal Reserve Agent.

"Please advise us as to the date when Miss Erste actually assumes these duties."

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 change in the personnel classification plan of the Federal Reserve Bank of Richmond, involving the establishment of the position of Utility Clerk in the Accounting Department, as submitted with your letter of June 29, 1944.

"The action of the Board with respect to the other changes submitted with your letter is being held in abeyance pending the receipt of the certificates which were withdrawn for revision in accordance with the recent discussion held with Mr. Guthrie."

Approved unanimously.

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

"The War and the Navy Departments and the Maritime Commission are giving consideration to a revision of the present standard form of guarantee agreement which would eliminate the provisions of sections 4, 5, 6 and 7. The purpose of these changes is: (1) To carry out the intent of the Contract Settlement Act of 1944, approved July 1, 1944, which provides for interest at 2-1/2 per cent per annum on claims under terminated war contracts in lieu of waiver of interest; (2) to eliminate difficulties which have been encountered in connection with the interpretation and administration of sections 5 and 6 of the present standard form of guarantee agreement; and (3) to equalize

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"the advantages of a V loan guarantee with those of the proposed T loan guarantee. Enclosed herewith is a copy of the proposed revision of the standard form of V loan guarantee agreement and a copy of proposed instructions and explanatory notes with regard thereto. The new form is designed to replace the standard form now used either for V or VT loans.

"There is no provision in the proposed form for suspension of maturity upon cancellation of war contracts. However, as appears from the instructions, the Borrower may obtain termination protection to the extent that the Financing Institution agrees to permit borrowings against cancelled war production contracts under a firm commitment, and in appropriate cases a maximum maturity of three years on borrowings against cancelled contracts will be approved by the Services. If, at the maturity of a loan, settlement of terminated contracts has not been completed, the Services still have a responsibility under the Act to provide interim financing for the remainder of the settlement period.

"The fact that the step-up provision in section 5 of the April 6, 1943, form of guarantee agreement has been eliminated will be taken into consideration by the Services in negotiating the guaranteed percentage under the new form.

"Among other points under consideration is the question, which occurs also in connection with the termination guarantee agreement, whether the maximum commitment fee should be one-half of one per cent per annum and shared with the Guarantor or should be one-fourth of one per cent and retained in its entirety by the Financing Institution.

"We will appreciate any comments and suggestions you may care to make regarding the proposed program and the enclosures and will also be glad to have comments and suggestions from bankers or prospective borrowers in your district whose comments you feel would be helpful.

"The Services feel that it is important that the revised standard form be made effective as soon as possible after the effective date of the Contract Settlement Act of 1944, and accordingly all comments should reach the Board not later than July 24. Comments may, of course, be wired in it necessary.

"(P.S.) We are enclosing ten copies of the instructions. However, we are unable to send you but two copies

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"of the guarantee agreement and suggest that you have such additional copies made up as may be needed."

Approved unanimously.

Letter to Mr. Gentry, Vice President and Cashier of the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of June 5, 1944, receipt of which was acknowledged in the Board's letter of June 16, with reference to including in reimbursable expenses separation allowances paid employees in the Fiscal Agency department.

"The Governors' Conference of October 10-12, 1933, appointed a Committee to confer with the Board and a representative of the Treasury to arrive at some equitable basis for reimbursement for Fiscal Agency expenses and to report back to the Conference. Considerable thought and study was given by the Committee to the question of reimbursable expenses, and a decision was reached as to which items of expense should be considered as reimbursable. The list of items was contained in a memorandum dated January 24, 1936, a copy of which was sent to each Federal Reserve Bank with a letter of February 3, 1936, from Mr. Fleming, Chairman of the Committee on Reimbursable Expenses. With regard to contributions to the Retirement System, it was stated: 'Neither prior service contributions nor contributions to provide minimum or supplementary retirement allowances will be included in this item'.

"So far as we know this procedure has since been followed by the Federal Reserve Banks and the Board doubts the advisability of formally reopening the question with the Treasury and other Government agencies at this time.

"In order, however, to find out informally what the Treasury staff now thinks about this question, the problem was discussed over the telephone with Mr. Kilby. After reviewing the matter with his associates, Mr. Kilby called back and said they hoped the question of reimbursement for separation allowances would not now be raised with the Treasury.

"While the Board is in full accord with the payment made by the Bank in this case, as evidenced by the approval

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"given in its letter of June 16, 1944, it is suggested that, in the circumstances it be not included among expenses for which reimbursement is requested of the Treasury.

"Mr. Gilbert may wish to place the question of policy involved on the agenda for the next meeting of the Committee on Free Services and Reimbursable Expenses."

Approved unanimously.

Memorandum dated July 10, 1944, from Mr. Paulger, Director of the Division of Examinations, recommending, for the reasons stated in the memorandum, that the postage and expressage account in the 1944 budget of the Division be increased by \$132.50.

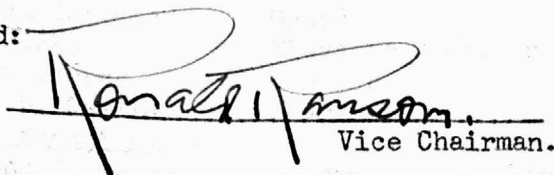
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.