

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, September 2, 1944, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Draper

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:

Memorandum dated August 25, 1944, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, recommending that Mrs. Caroline Hammill Cagle be appointed as an economist in that Division on a part-time basis with a regular tour of duty of 28 hours per week for a temporary period of not to exceed one year, with basic salary at the rate of \$1,920 per annum, plus 15 per cent additional compensation, or a total of \$2,208, effective as of the date upon which she enters upon the performance of her duties.

Approved unanimously.

Letter to the board of directors of "The Citizens Bank of Sherwood", Sherwood, Oregon, 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 San Francisco:

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- "4. Such bank shall increase the number of its directors to not less than five, the minimum number required in the case of all member banks under the provisions of Section 31 of the Banking Act of 1933, as amended."

The letter also contained the following special comment:

"It has been noted that the bank has outstanding \$25,000 par value of common capital and \$7,800 face amount of capital debentures held by the Reconstruction Finance Corporation, the total of which is in excess of the figure at which the amount of capital is shown on the books of the bank. 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 and debentures to be shown at their par and face amounts."

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 Citizens Bank of Sherwood', Sherwood, Oregon, 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 Superintendent of Banks for the State of Oregon, for his information.

"If the increase in the number of directors, as required by condition numbered 4, cannot be accomplished prior to admission to membership the Board will not object to the admission of the bank with only three directors, with the understanding that the required increase will be effected without undue delay.

"In order that our files may be complete, it is requested that you forward a copy of the form of capital debenture issued to the Reconstruction Finance Corporation by this bank."

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Letter to Mr. Mangels, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"In accordance with the recommendation contained in your letter of August 17, 1944, the Board of Governors approves the establishment and operation of a branch at East Salinas, California, by the Monterey County Trust & Savings Bank, Salinas, California, provided counsel for the Reserve Bank is satisfied as to the legal aspects involved. Also in this connection, the Board interposes no objection, under the provisions of condition of membership numbered 8 applicable to the Monterey County Trust & Savings Bank, to the proposed expenditure of not more than \$20,000 to house and equip the branch at East Salinas."

Approved unanimously.

Letter to Lieutenant Commander Donald P. Welles, Chief of Finance Division, Navy Department, reading as follows:

"This will acknowledge receipt of your memorandum of August 30, 1944, in which you request authority to waive the guarantee fee for a period of two months in the case of the loan made by the Wachovia Bank and Trust Company, Raleigh, North Carolina, to the Elizabeth City Iron Works & Supply Company.

"You state that the financing institution wishes to place its representative at the company's plant to supervise the expenditure of certain funds and has requested the Navy Department to share the expense of maintaining this representative for a period of about six weeks or two months. You further state that if the guarantee fee is waived for the two months' period, the financing institution will make an adjustment at the expiration of such period to give effect to the prorata expense applicable to the Navy Department.

"In the circumstances, the Board of Governors approves the waiving of the guarantee fee on the above mentioned loan for two months beginning September 1, 1944, under the conditions set forth in your memorandum."

Approved unanimously.

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Letter to Honorable Ralph A. Gamble, House of Representatives,
reading as follows:

"During the course of Chairman Eccles' testimony before the House Banking and Currency Committee on H.R. 4804, you asked that a brief statement on V and VT loans, made under the provisions of Executive Order 9112, be prepared for the information of the Members of the Committee and for insertion in the record.

"A copy of the statement prepared for insertion in the record is enclosed herewith for your information. A copy has been furnished each other Member of the Committee."

Approved unanimously, together with
(1) a letter to Honorable Brent Spence, Chairman of the House Banking and Currency Committee, transmitting a copy of the statement on V and VT loans and (2) a letter to all the members of the House Banking and Currency Committee except Congressmen Spence and Gamble transmitting a copy of the letter and statement furnished to Congressman Spence.

Letter to Mr. Clouse, Secretary of the Federal Reserve Bank of Cleveland, reading as follows:

"This will acknowledge your letter of August 28, 1944, calling attention to a booklet being distributed by the Federal Housing Administration, entitled 'Here's How to Make Sales and Satisfied Customers with FHA Title I Loans'. We learned about this booklet shortly after it was first transmitted to qualified lending institutions and found on discussing the matter with the Federal Housing Administration that it was designed principally for use after the war but was being distributed now in order to get the procedure fully understood and well established prior to that time. Except in those matters which are affected by Regulation W or by regulations of the War Production Board, the procedure is fully operative at the present time.

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"Immediately after the booklet was sent out the Federal Housing Administration received a number of inquiries along the lines of those which have come to your attention. In order to help meet some of the confusion that is arising, the Federal Housing Administration is now putting the following sticker on all copies that are being mailed:

'Note:

The maximum maturities cited in this booklet are subject to the emergency credit restrictions of Regulation "W" of the Federal Reserve Board where applicable. Construction and materials are governed by Regulations of the War Production Board where applicable.'

These will be the bulk of the copies distributed because only one was sent to each lending institution at the time of the original mailing and they were to obtain additional copies for their dealers by special requests for bulk shipments. These latter have all carried the sticker.

"The Federal Housing Administration believes that the confusion will be cleared up by this method, and we have therefore not thought it advisable to have any steps taken by the Federal Reserve System. It is true that there is a good deal of misunderstanding as to the requirements of Regulation W with respect to repair and modernization credits, but it may be well to postpone any special efforts at correction of this situation because of the possible changes that you suggest may take place in the next few months."

Approved unanimously.

Letter to Honorable Brent Spence, Chairman of the Committee on Banking and Currency of the House of Representatives, reading as follows:

"This is in response to your letter of August 24, 1944, enclosing a document entitled 'Proposed Redraft of U.S.R.S. Section 5219 Relating to the State Taxation of National Banks' and advising that you have been requested

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"by the General Counsel of the American Bankers Association to send it to the Board for its consideration and opinion on the subject.

"This relates to a proposed revision of a highly technical section of the Revised Statutes which is the product of negotiations extending over a period of several years between committees of experts representing the national banks on the one hand and the tax officials of the States on the other hand and which is explained in the document enclosed in your letter. The Board is advised that it would not change the fundamental principles of existing law; that it would subject national banks to social security taxes, sales taxes and use taxes; and that the other proposed changes are in the nature of clarifications and refinements of existing law designed to remove uncertainties and causes of irritation and possible litigation. The Board understands that the interested parties believe that it would materially improve the existing law from the standpoint of both the tax payers and the tax gatherers and that, therefore, its enactment would be mutually advantageous.

"While it would leave some important problems regarding the taxation of national banks by the States unsolved, the Board is informed that it has been approved by the American Bankers Association, the National Tax Association and the National Tax Conference, the last named being an organization of State tax officials consisting of representatives appointed by the Governors of the different States; that it is the best revision that these interests have been able to agree upon; and that the Comptroller of the Currency, who has primary jurisdiction over national banks, and the Federal Deposit Insurance Corporation have been consulted and have advised the interested parties informally that they will interpose no objection to the enactment of this revision. In the circumstances, the Board has authorized me to advise you that it likewise will interpose no objection to its enactment."

Approved unanimously, together with
a similar letter for the signature of
Chairman Eccles to Honorable Robert F.
Wagner, Chairman of the Senate Banking

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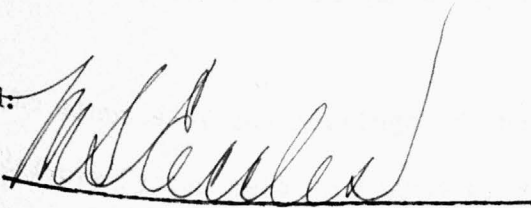
and Currency Committee, in response to a letter dated August 30, 1944, from the Clerk of that Committee.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.