

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, September 8, 1944, at 11:00 a.m.

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

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 September 7, 1944, were approved unanimously.

Telegrams to Messrs. Treiber, McCreedy, and Clouse, Secretaries of the Federal Reserve Banks of New York, Philadelphia, and Cleveland, respectively, Mr. Leach, President of the Federal Reserve Bank of Richmond, Messrs. Dillard and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Hall, Secretary of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Earhart, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approved the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on September 5, by the Federal Reserve

9/8/44

-2-

Bank of Dallas on September 6, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, Minneapolis, Kansas City, and San Francisco on September 7, 1944, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum of this date from Mr. Bethea recommending that Mrs. Irene Brown be appointed as a charwoman in the Secretary's Office on a temporary basis for a period of not to exceed 60 days, with basic salary at the rate of \$1,200 per annum, effective September 8, 1944, with the understanding that if anything derogatory develops in the investigation of her references her services may be terminated immediately.

Approved unanimously.

Memorandum dated September 7, 1944, from Mr. Leonard, Director of the Division of Personnel Administration, recommending, with the concurrence of the Secretary's Office, that Miss Evelyn Underwood, a file clerk in the latter Office, be transferred to the Division of Personnel Administration as leave clerk, with no change in her present basic salary at the rate of \$1,560 per annum, effective September 16, 1944.

Approved unanimously.

Telegram to Mr. Evans, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

9/8/44

-3-

"Pursuant to request your wire September 8, Board approves designation of James O. Russell as special assistant examiner for the Federal Reserve Bank of Dallas."

Approved unanimously.

Letter to the board of directors of the "State Bank of Spring Green", Spring Green, 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 Chicago.

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

"The Board of Governors of the Federal Reserve System approves the application of the 'State Bank of Spring Green', Spring Green, Wisconsin, 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 Chairman, Banking Commission for the State of Wisconsin, for his information.

"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 requirements with respect to notice of withdrawals from savings accounts."

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

"Last paragraph of Board's September 6, 1944, letter

-4-

9/8/44

"S-782 states that Board contemplates releasing press statement regarding T-loan program on September 11. Since circulars are to be mailed out by Reserve Banks on September 12, it is thought best to delay issuance of press statement until that date. Press statement will contain statement to effect that Reserve Banks are on that date distributing forms and instructions relating to T-loan program to all banks in their districts. Copy of press statement will be wired you later today."

Approved unanimously.

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

"Referring Board's wire sent you earlier today there is quoted below for your confidential information statement to be given to press on September 11, 1944 for release in morning newspapers of Tuesday, September 12, 1944:

'The Board of Governors today announced inauguration of the program of guaranteed loans and commitments authorized under the Contract Settlement Act of 1944. Such termination loans, commonly called T loans, will be made by private financing institutions, chiefly commercial banks, to war production contractors to liquefy or "unfreeze" working capital tied up in terminated contracts pending final settlement of claims arising therefrom. Guarantees will be executed by the Federal Reserve Banks as fiscal agents of the United States acting in behalf of the War Department, the Navy Department, and the United States Maritime Commission. The Reserve Banks are today distributing to all banks in their districts printed forms and detailed information.

'The T loan program is a logical extension of the V and VT loan programs under Executive Order 9112, which provide war contractors with financing necessary for production. VT loans, in use since September 1, 1943, provide both production and termination financing, but have not

9/8/44

-5-

"been available after cancellation has taken place. T loans, which are authorized under the Contract Settlement Act, may be guaranteed after the borrower's war production contracts have been terminated. However, commitments for such loans may be guaranteed in advance of cancellation. Thus the program affords war production contractors a means of insurance against the freezing of their working capital which might result from sudden termination of their war contracts.

'New schedules of guarantee fees and commitment fees have been prescribed for T loans and will also be made applicable to VT loans when executed on new forms which will be made effective in the near future. The new schedule of guarantee fees follows:

T LOANS

Per cent of loan guaranteed	Guarantee Fee (Per cent of interest payable by borrower on guaranteed portion of loan)
80 or less	10
85	15
90	20
95	30
Over 95	50

'The maximum commitment fee that may be charged the borrower by a financing institution will be 1/4 of 1 per cent per annum, or in the alternative a flat fee of not to exceed \$50.00. Under the new schedule, the fee is not shared by the guarantor.

'The maximum rate of interest on any T loan will be 4-1/2 per cent per annum, as compared with 5 per cent heretofore. This maximum will likewise be made applicable to VT loans on the new forms.

'While the prospective need of war production contractors for T loans cannot be accurately estimated, the commercial banks should be prepared to make a large number of such loans within the first few weeks after the end of the European phase of the war. If applications for such loans were not filed until after cancellations occur in large

9/8/44

-6-

"volume, it might be physically impossible to process them promptly. Therefore, the program will emphasize the desirability of contractors and their banks, in advance of cancellation, negotiating commitments to make such loans. These commitments will be guaranteed by the Federal Reserve Bank, acting as fiscal agent of the United States, so that upon termination, borrowers can promptly obtain such loans and the banks will already have the protection of the guarantee.

"In comparison with the V and VT loan programs, the T loan program is simplified and liberalized in recognition of the obligation of the Government, as expressed in the Contract Settlement Act, to provide prompt and adequate interim financing to contractors pending final settlement of their claims."

Approved unanimously, together with letters to Honorable Robert H. Hinckley, Director of Contract Settlement, Colonel John C. Mechem of the War Department, Lieutenant Commander Donald P. Welles of the Navy Department, and Mr. R. E. Anderson of the Maritime Commission transmitting copies of the above press release for their confidential advance information.

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

"In connection with the execution of T-loan guarantees, there is enclosed a copy of a memorandum received by the Board from the War Department, dated September 5, 1944, signed by Colonel Paul Cleveland, Chief, Advance Payment and Loan Branch, enclosing a proposed form of Statement of Eligibility of Borrower for Proposed T Loan to be used by Liaison Officers pursuant to instructions from the War Department to all Federal Reserve Banks dated September 4, 1944.

9/8/44

-7-

"While Colonel Cleveland's memorandum refers to a 'proposed' form of Statement of Eligibility of Borrower for Proposed T Loan, we have been advised by him that it is intended that this form shall be used by Liaison Officers unless and until changes are made therein."

Approved unanimously.

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

"For your information, there is enclosed a copy of a letter dated September 5, 1944, received by the Board from the Comptroller of the Currency, in which the opinion is expressed that guarantees executed on the standard form of T-Loan Guarantee Agreement, identified by the words '(Draft of August 7, 1944)', which was approved by the Director of Contract Settlement in his General Regulation No. 1, dated August 18, 1944, would come within the purview of Exception 10 to section 5200 of the United States Revised Statutes and of the definition of the term 'unconditional' as used therein which was issued by the Comptroller of the Currency on June 18, 1942.

"The standard form of T-Loan Guarantee Agreement, identified by the words '(Draft of August 7, 1944)', as approved by the Director of Contract Settlement and as referred to in the Comptroller's letter, is identical with the standard form of T-Loan Guarantee Agreement, identified by the words 'Form of September 1, 1944', which has been authorized by the War and Navy Departments and the Maritime Commission for use in connection with the execution of T-loan guarantees, a copy of which was enclosed with the Board's letter of September 6, 1944 (S-782)."

Approved unanimously.

Letter to Mr. Day, Chairman of the Presidents' Conference at the Federal Reserve Bank of San Francisco, reading as follows:

"We understand that some of the Federal Reserve Banks are faced with problems in connection with the payment

-8-

9/8/44

"retroactively of overtime under the standards established by the Fair Labor Standards Act of 1938 and that specifically the problems arise in connection with adjustments under the following circumstances:

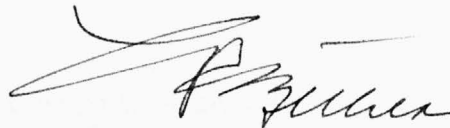
1. Where payment for overtime has been computed on basic salary only, exclusive of supplemental compensation.

2. Where certain employees or classes of employees formerly considered by the bank as exempt under the standards established by the Act are subsequently determined to be nonexempt.

"It would seem that the situation, which is already a matter of concern to some Federal Reserve Banks and may be of concern to others, involves questions of System policy and practice. Accordingly, it is suggested that the matter be brought up for consideration at the coming meeting of the Presidents' Conference."

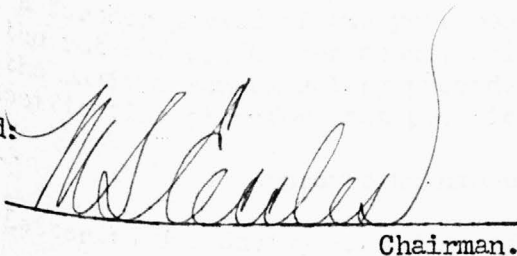
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.