

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, October 27, 1944, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
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 hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on October 26, 1944, were approved unanimously.

Telegrams to Messrs. Leach and McLarin, Presidents of the Federal Reserve Banks of Richmond and Atlanta, respectively, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Powell, First 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 approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on October 24, by the Federal Reserve Bank of Atlanta on October 25,

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and by the Federal Reserve Banks of Richmond, Chicago, Minneapolis, Kansas City, and Dallas on October 26, 1944, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated October 26, 1944, from Mr. Morrill submitting the resignation of Mrs. Irene Brown as a charwoman in the Secretary's Office, to become effective as of the close of business on October 25, 1944, and recommending that the resignation be accepted as of that date.

The resignation was accepted as recommended.

Letter sent this morning, with the approval of Mr. Ransom and over his signature, to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"This letter is in confirmation of my telephone conversation with you this morning.

"The attention of the Board of Governors has been called to an advertisement inserted in The New York Times of Wednesday, October 4, 1944, by 'Business Men for Roosevelt, Inc.' from which it appears that Mr. Dennison, one of the directors of your Bank, is a member of the campaign committee organized by that group. A copy of the advertisement is enclosed.

"As you know, in 1915 the Federal Reserve Board adopted a resolution, a copy of which is in the files of your Bank, to the effect that persons 'acting as members of political party committees' could not, consistently with the spirit and underlying principles of the Federal Reserve Act, serve as directors or officers of the Federal Reserve Banks. The policy laid down in this resolution has not been changed since its adoption and the resolution remains in full force.

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"It was noted that the advertisement was a political advertisement, and, since the purpose of the organization is to carry on a campaign for the election of a candidate of a political party, membership in the group by a director of the Federal Reserve Bank would be considered within the purview of the Board's resolution. However, the resolution was not intended in any way to restrict the expression by a director of a Federal Reserve Bank of his political views in his individual capacity.

"As I advised you, the matter had been discussed informally by the members of the Board of Governors, and they felt that it would be desirable for you to discuss it with Mr. Dennison informally as it was believed that he did not have the Board's resolution in mind when he became associated with the group. I also said, in response to your inquiry as to what action would be necessary to correct the situation, that if Mr. Dennison resigned from the group the matter would be disposed of.

"It was understood that you would communicate with Mr. Dennison by telephone and that after you had talked to him you would call me again."

Approved unanimously, together with
a second letter to Mr. Creighton, which was
in the following form:

"The members of the Board of Governors are pleased to learn from your second telephone conversation with me this morning that Mr. Dennison has asked that you mail him a copy of the resolution adopted by the Board on December 23, 1915, and has stated that upon its receipt he would resign from membership in 'Business Men for Roosevelt, Inc.'"

"The Board appreciates very much the helpful and effective manner in which you have handled this matter."

Letters to "The North Side Bank", Evansville, Indiana, and the "Kootenai Valley State Bank", Troy, Montana, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

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"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

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

"In submitting future reports on Forms F. R. 577 and 579 please follow the instructions set forth below, which take the place of existing instructions (including letters of July 3, 1942 (S-526), October 1, 1942 (S-561), and February 9, 1943 (S-617)) except the letter of June 3, 1943 (S-658) with special reference to reporting loans purchased by the guarantor on Form 579.

"Form F. R. 577

"1. Guarantee numbers of guarantees executed on behalf of the War Department and the Maritime Commission should be assigned by your Bank. The Navy Department will assign guarantee numbers when issuing authorizations for guarantees.

"2. A report on Form F. R. 577 should be submitted for each guarantee agreement executed under Regulation V.

"3. Branch of Service chiefly concerned. This item need be filled in only on reports of loans guaranteed by the War Department and should show the branch of the service, such as Ordnance, Chemical Warfare, etc., for which the borrower has the greatest dollar volume of contracts. If the Bank has difficulty in obtaining such information, it will be obtained for the Bank by the liaison officer.

"4. Total amount of loan authorized. The amount of the loan should be reported as the maximum amount of credit that under the guarantee agreement may be outstanding at any one time.

"Form F. R. 579

"1. Separate reports should be submitted for War Department, Navy Department, and Maritime Commission guarantees. The report of War Department guarantees should be submitted in triplicate, and the others in quadruplicate.

"2. Reports should show all guarantees in effect on the date of the report, even though no credit is outstanding at the end of the report month, and also any

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"guarantees terminated or cancelled during the month. When separate guarantee agreements are issued to financing institutions participating in a loan, only one entry for all agreements combined need be made on the form.

"3. Guarantees should be listed by groups according to type of guarantee, that is, V, VT, 1944V, and T. Within these groups guarantees should be shown numerically on the War Department and Maritime Commission reports, and alphabetically by name of borrower on the Navy Department report, except that any purchased loans should be shown at the end of each group after a subtotal. At the end of each report, a recapitulation of the totals for each group (including purchased loans) should be shown, together with grand totals for all guarantee agreements.

"4. The figure entered in column 4 should be the amount of credit in use by the borrower on the report date plus any additional amount then available to borrower under the guarantee agreement, disregarding, in the case of revolving credits, restrictive provisions such as those limiting the amount that may be outstanding on the loan to a designated percentage of the amount of moneys due, or to become due, under war contracts.

"5. The amounts to be entered in columns 5 and 8 should be derived by multiplying the amounts in columns 4 and 7 by the guarantee percentage (column 3) currently in effect.

"6. The amount to be reported in column 9 should represent funds actually advanced to the borrower on the loan during the report month and, in the case of a guarantee agreement issued to supersede a cancelled agreement, any balance on the loan under the cancelled agreement transferred to the new agreement.

"7. Column 10 should be used to indicate terminations and cancellations of guarantees, adjustments under Sections 5, 6, or other sections of the guarantee agreement, and any other pertinent data of interest to the guarantor."

Approved unanimously.

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

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"In submitting future reports on Form F. R. 581 please follow the instructions set forth below, which take the place of existing instructions (including those contained in our letter S-536 of July 22, 1942). A supply of Form F. R. 581, revised to cover T loans, was shipped to your Bank on September 20, 1944.

"Item 4 should represent the number and amount of applications received and acted upon or under consideration. All applications for original guarantees and all applications for amendments of existing guarantees which result in the issuance of a new guarantee agreement should be considered as new applications for purposes of reporting on this form. Increases and decreases in amounts of applications made during the period before approval or disapproval thereof should be included in items 2a and 3b, respectively. If an increase is made after the initial approval but before a guarantee is issued, indicate the amount of the increase against item 2b. A decrease in the amount originally applied for after initial action but before a guarantee is issued should not be considered as altering the amount originally applied for, but as a partial rejection (reported against item 5a(3) or 5b(3)) or as a withdrawal (reported against item 5a(2)(a) or 5b(2)(a)), depending on whether the decrease was made at the instigation of the guarantor or of the applicant. If an executed guarantee is cancelled and reissued in an increased or reduced amount, the transaction should be reported as a new application in the full amount of the loan. If a similar change is made through the use of a supplement, the amount of an increase should be reported against item 2b; the amount of a decrease should not be reflected on the form. An application once withdrawn or rejected and later resubmitted should be reported as a new application. Applications for revolving credits should be reported in the maximum amount that may be outstanding on the loan at any time.

"Inasmuch as the totals of item 5 must agree with item 4, applications must be entered in the 'number' columns only once even though the amount may be reported against two or more items, for example, applications for guarantees approved in part. In such cases the application should be entered in the 'number' columns on line 5a(1) or line 5b(1) if a guarantee is issued; otherwise it

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"should be counted on the line on which the major portion of the loan is reported.

"Items 5a(1) and 5b(1) should represent the total number of guarantee agreements executed and the amount of loans covered by such guarantee agreements. When separate guarantee agreements are issued to a number of banks participating in the same loan, they should be counted as one guarantee for the purpose of this report.

"The amounts reported under items 5a(2) and 5b(2) should represent the total of loans on which guarantees have been authorized, with and without conditions, but not executed. Applications for guarantees of loans originally reported in the last two columns of items 5a(2)(b) and 5b(2)(b) may be later transferred to 5a(2)(a) or 5b(2)(a) upon lapsing of the authorization to guarantee or when the status of conditional approval is such as to indicate nonacceptance by the applicant.

"Sub-item (3) under 5a and 5b is intended to cover applications rejected and the rejected portion of applications approved in part.

"For each guaranteeing agency the combined report on Form F. R. 581 should be supplemented with subsidiary reports for V, VT, 1944V, and T applications, separately. Please submit reports of War and Navy Department applications in duplicate.

"No adjustments of the cumulative figures for V and VT loans as of September 30 should be made if prior reports have not been submitted in the manner outlined above; however, 1944V and T reports should show all applications on the basis outlined.

"Figures on the combined report should equal the sum of the figures on the four subsidiary reports. In arriving at the figures for V loans as of September 30 for this purpose, it will be satisfactory to deduct the sum of figures for the VT, 1944V, and T reports from the combined report. Applications received for V and VT guarantees which were granted as 1944 V or T guarantees should be included only in the report covering the type of guarantee executed."

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Ronald Tanson
Vice Chairman.