

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, April 30, 1945, at 10:30 a.m.

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

Mr. Morrill, Secretary
 Mr. Carpenter, Assistant Secretary
 Mr. Thurston, 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 April 28, 1945, were approved unanimously.

Memorandum dated April 25, 1945, from Mr. Morrill recommending that the following increases in basic annual salaries of employees in the Secretary's Office be approved, effective at the beginning of the pay roll period following approval by the Board, and that the appointment of Miss Gladys W. Wallace as a file clerk be made permanent, effective immediately:

| <u>Name</u> | <u>Designation</u> | <u>Salary Increase</u> | |
|-------------------|--------------------|------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| Madison P. Coe | Senior Index Clerk | \$3,100 | \$3,200 |
| Aline L. Yates | Index Clerk | 1,740 | 1,920 |
| Helen E. Cook | File Clerk | 1,560 | 1,680 |
| Gladys W. Wallace | File Clerk | 1,560 | 1,680 |
| Marjorie V. Berry | File Clerk | 1,620 | 1,740 |
| Virginia Breeden | File Clerk | 1,680 | 1,800 |

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| <u>Name:</u> (Continued) | <u>Designation</u> | <u>Salary Increase</u> | |
|--------------------------|--------------------|------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| Cora L. Hatch | File Clerk | \$1,680 | \$1,800 |
| Ruby S. Andrews | File Clerk | 1,860 | 1,980 |
| Mary H. Watson | File Clerk | 2,100 | 2,160 |

Approved unanimously, effective
May 1, 1945.

Memorandum dated April 25, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the following increases in basic annual salaries of employees in that Division be approved, effective May 1, 1945, and that the appointment of J. Frank Bell as head chauffeur be made permanent as of the same date:

| <u>Name</u> | <u>Designation</u> | <u>Salary Increase</u> | |
|-----------------|--------------------------------|------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| J. Frank Bell | Head Chauffeur | \$1,680 | \$1,800 |
| Howard W. Stull | Chauffeur | 1,620 | 1,680 |
| John V. Lewis | Chauffeur | 1,440 | 1,500 |
| E. F. Anderson | Acting Captain of the Guard | 2,200 | 2,300 |

Approved unanimously.

Memorandum dated April 28, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that, for the reasons stated in the memorandum that William J. Traver, a guard in that Division, be granted leave without pay for the period March 16 to April 25, 1945, inclusive.

Approved unanimously.

Letter to Mr. Willett, First Vice President of the Federal

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Reserve Bank of Boston, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Boston, involving increases in the maximum annual salaries for the positions of Supervisor and Operator in the Telephone Department, as submitted with your letter of April 24, 1945."

Approved unanimously, together with a letter to the Wage Stabilization Division, National War Labor Board, transmitting a certificate of the Federal Reserve Bank of Boston with respect to the salary increases at the Bank.

Letter to Mr. Stewart, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of St. Louis and its Branches, involving increases in maximum annual salaries for the positions of Stenographer A and B, as submitted with your letter of April 25, 1945."

Approved unanimously, together with a letter to the Wage Stabilization Division, National War Labor Board, transmitting a certificate of the Federal Reserve Bank of St. Louis with respect to the salary increases at the Bank.

Letter to Honorable Walter F. George, Chairman, Committee on Finance, United States Senate, reading as follows:

"This will refer to your recent telephone conversation with Governor Ransom at which time you asked that the Board of Governors make a report to your Committee on the bill S. 795, which would amend the Servicemen's Readjustment Act of 1944 so as to enable national banks and State banks and trust companies in the District of Columbia to make loans to veterans to be guaranteed by the Administrator of Veterans' Affairs 'without regard

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"to the limitations and restrictions of any other statute with respect to the ratio of such loan to the appraised value of the property or with respect to the maturity of such loan'.

"We understand that the purpose of the bill is to relieve national banks of the limitations and restrictions of section 24 of the Federal Reserve Act in the making of real estate loans to veterans which are guaranteed by the Administrator of Veterans' Affairs. For your convenient reference I am enclosing a copy of the first paragraph of this section which is pertinent in this connection. This section permits a national bank to make a real estate loan for a term in excess of five years only on condition that instalment payments are sufficient to amortize 40 per cent or more of the principal of the loan within a period of not more than ten years. On the other hand, real estate loans guaranteed by the Administrator (which if in excess of five years are required by regulation to be amortized) may lawfully be amortized over a period of 20 years but, under rulings of the Administrator, such loans, even with shorter maturities, must be amortized at a rate sufficient to pay the entire amount of the loan within the life of the loan. Real estate loans made by national banks which are guaranteed by the Administrator would thus have to be fully paid within 10 years, and under section 24 of the Federal Reserve Act the amount of such loans could not exceed 60 per cent of the appraised value of the property. This means that national banks cannot compete with the many State banks and other financing institutions that are not subject to such restrictions in the making of real estate loans guaranteed by the Administrator.

"In view of this situation, the Board favors the objective of the bill S. 795 which is to eliminate the competitive disadvantage under which national banks are now placed in making real estate loans guaranteed by the Administrator. There is no reason why national banks should not have equal opportunity with other banks in making such guaranteed loans to veterans. In this connection, we understand that legislation has been or will be proposed in a number of States to permit State institutions to make loans guaranteed by the Administrator on a more liberal basis than is permissible under the present laws of those States, and this will have the effect of increasing the

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"disadvantage of national banks as compared with State institutions in making loans to veterans. However, the bill S. 795 is in the form of an amendment to the Servicemen's Readjustment Act of 1944, and since its effect is to modify section 24 of the Federal Reserve Act, we feel that the bill should specifically amend section 24. It would seem more appropriate that any exemption from the restrictions of section 24 should be dealt with directly in the provisions of that section rather than in some other statute. This could be accomplished by striking out all after the enacting clause and inserting the following in lieu thereof:

'The third sentence of section 24 of the Federal Reserve Act, as amended, is further amended by inserting after the words "National Housing Act" at the end of such sentence the following: "or to real-estate loans guaranteed in whole or in part under the provisions of Title III of the Servicemen's Readjustment Act of 1944".'

"In view of the fact that this legislation relates to national banks, copies of this letter are being sent to Senator Wagner, Chairman of the Banking and Currency Committee of the Senate, and to Congressman Spence, Chairman of the Banking and Currency Committee of the House of Representatives. Also, since H.R. 2789 is identical with S. 795, we are sending a copy of this letter to Congressman Rankin, Chairman of the House Committee on World War Veterans' Legislation."

Approved unanimously, with the understanding that copies of the letter would be sent to the Chairman of the Senate Banking and Currency Committee, the Chairmen of the House Committees on Banking and Currency and on World War Veterans Legislation, and the Comptroller of the Currency.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...
Chairman.