

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, September 17, 1945, at 10:00 a.m.

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

Mr. Hammond, Assistant Secretary
 Mr. Connell, General Assistant,
 Office of the Secretary
 Mr. Morrill, Special Adviser
 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 September 14, 1945, were approved unanimously.

Memorandum dated September 10, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the basic annual salaries of the following employees in that Division be increased, as indicated, effective as of the beginning of the first payroll period following approval by the Board:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Ramsay Wood	Economist	\$4,740	\$5,180
Walter F. Stettner	Economist	4,520	4,740
Lorman C. Trueblood	Economist	4,300	4,740
Robert D. Carey	Economist	3,310	3,530
Rosa Ernst	Research Assistant	3,090	3,310

Approved unanimously, effective September 23, 1945.

9/17/45

-2-

Memorandum dated September 17, 1945, from Mr. Hammond submitting the resignation of Miss Berl Stroud, a file clerk in the Secretary's Office, and recommending that the resignation be accepted effective as of the close of business September 28, 1945, with the understanding that a lump sum payment will be made for the accrued annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

Letter to "The Friendship State Bank," Friendship, Indiana, reading as follows:

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

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

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Mr. Manuel Fernandez Supervielle, Minister of Finance, Republic of Cuba, Habana, Cuba, reading as follows:

"The Board joins me in expressing gratification for your courteous and appreciative letter of August 20 regarding Dr. Triffin's visit to you in Habana. With respect to your suggestion that Mr. Triffin might return to Cuba at the beginning of October, we are unable at the present moment to give you any definite reply because Mr. Triffin is now in Guatemala. He expects to return soon, however, and we can then consider the possibility of his revisiting you in Cuba and inform you accordingly."

Approved unanimously.

9/17/45

-3-

Letter to Senator Walter F. George, Chairman of the Committee on Finance, reading as follows:

"This refers to the bill H.R. 3749 cited as the 'Servicemen's Readjustment Act of 1945' which passed the House of Representatives on July 18, 1945, and which is now pending before your Committee.

"The matters of particular concern to the Board of Governors of the Federal Reserve System are certain provisions contained in section 501 of the bill with respect to the making of loans to veterans. The last sentence of section 501(a) of the bill provides that 'loans may be made by any Federal Reserve Bank, National Bank, State bank, private bank, building and loan association, insurance company, ***' and section 501(b) provides that such loans may be made by national banks and banks located in the District of Columbia 'without regard to the limitations and restrictions of any other statute or ruling of the Federal Reserve Board.'

"In the Board's opinion it is not necessary or desirable to include Federal Reserve Banks in the list of institutions which are authorized to make loans to veterans guaranteed under the Servicemen's Readjustment Act. The Board feels that so far as practicable loans of this type should be made by private banks and other types of private lenders and that Federal Reserve Banks should not be in a position of competing with the private banking system for such loans. Under existing law, loans made to veterans by member banks of the Federal Reserve System could be used as the basis of obtaining credit from the Federal Reserve Banks under the provisions of section 10(b) of the Federal Reserve Act, and the Reserve Banks are thus already in a position indirectly to assist in the program for guaranteed loans to veterans. The provision of the bill for national and State banks and other lending institutions to make such loans appears to be sufficient to provide all eligible veterans with reasonable sources of guaranteed loans without any need for giving this authority to the Federal Reserve Banks. It is respectfully suggested, therefore, that the words 'Federal Reserve Bank' be stricken from the last sentence of section 501(a) of the bill.

"The clause in section 501(b) that loans to veterans may be made without regard to the limitations of any 'statute'

9/17/45

-4-

"is extremely broad and seems most undesirable. This clause would exempt loans to veterans from all such safeguarding provisions of the law as the limitation upon the amount of loans which a member bank of the Federal Reserve System can lend to an executive officer of such bank and the limitation upon the amount of loans which a national bank can lend to one borrower. In addition, the clause would appear to permit loans to veterans without regard to the statutory provisions providing penalties for the making of loans by banks to bank examiners or for the accepting of fees or commissions by bank officials for procuring loans from member banks.

"Moreover, the provision in section 501(b) that guaranteed loans to veterans may be made without regard to 'any ruling of the Federal Reserve Board' seems inappropriate. If, as pointed out hereinafter, this provision is intended to relate to real estate loans under section 24 of the Federal Reserve Act, the Board is not the agency which administers the provisions of this law relating to real estate loans and hence the language just quoted is unnecessary. If, on the other hand, the language quoted is intended to have general application, we do not know of any ruling or regulation of the Board that would affect this matter. The Board's Regulation W pertaining to consumer credit provides that loans guaranteed under the Servicemen's Readjustment Act of 1944 are exempt from all the provisions of that Regulation. It would seem, therefore, that the provision in section 501(b) referring to the Federal Reserve Board should be eliminated.

"It may be that the intention of the framers of the proposed legislation is to remove only the limitations and restrictions contained in section 24 of the Federal Reserve Act with respect to the ratio of the loan to the appraised value of the property and with respect to the maturity of the loan. This matter was discussed in our letter to you dated April 30, 1945, with reference to the bill S. 795 pending before your Committee. A copy of such letter is enclosed for your convenience. In that letter the Board stated that it favored the objective of the bill S. 795 but felt that it would be 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 of section 501(b) and inserting in lieu thereof the following:

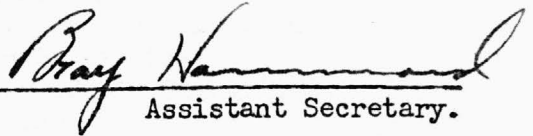
9/17/45

-5-

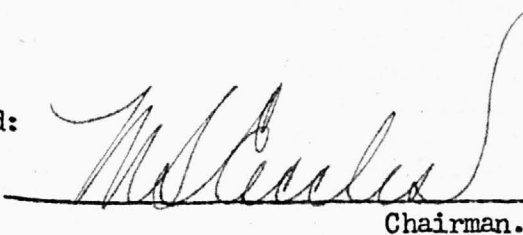
"The third sentence of section 24 of the Federal Reserve Act, as amended, is further amended by inserting after the words "National Housing Act" at the end of such sentence the following: "or to real-estate loans guaranteed in whole or in part under the provisions of Title III of the Servicemen's Readjustment Act of 1945".'"

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.