

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, December 20, 1945, at 11:00 a.m.

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

Mr. Carpenter, 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 December 19, 1945, were approved unanimously.

Letter to the Federal Deposit Insurance Corporation reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the Barnes Banking Company, Kaysville, Utah, became a member of the Federal Reserve System on June 19, 1945, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,

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- "3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously, together with a letter to Mr. Roy Ross, Federal Deposit Insurance Corporation, transmitting photostats of legal documents pertaining to the reorganization of the Barnes Banking Company, Kaysville, Utah, together with photostats of correspondence and memoranda relating to this matter.

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

"For your information, there is enclosed a copy of a memorandum dated December 14, 1945, received by the Board from Major Horace A. Young, Acting Chief, Advance Payment and Loan Branch of the War Department, enclosing two memoranda both dated December 14, 1945, advising that Major General A. H. Carter and Colonel John C. Mechem have been relieved of duty as financial contracting officers and that Colonel Dean J. Almy has been designated as a financial contracting officer. Photostats of the two memoranda are also enclosed."

Approved unanimously.

Letter to Mr. Strothman, Assistant Counsel of the Federal Reserve Bank of Minneapolis, reading as follows:

"As you pointed out in your letter of December 10, 1945, the answer to the question contained in the letter from Midland National Bank & Trust Company of Minneapolis dated December 8, 1945 which you enclosed, is in the negative, because clause (i) of Option 2 of section 10(b) of Regulation W requires that the rate of payment on a consolidated

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"obligation be at least as large as the rate of payment on the obligations being consolidated. However, as you also indicated in the third paragraph of your letter, if the outstanding obligation could have been revised to an 18 months' basis prior to consolidation (in view of the sentence added to footnote 7 by Amendment No. 19), the consolidated obligation may have the resulting lower rate of payment, assuming that larger monthly payments are not required in order to comply with clause (ii) of Option 2."

Approved unanimously.

Letter to Mr. R. Preston Shealey, Washington Representative of the National Retail Credit Association, Washington, D. C., reading as follows:

"This is with reference to your letter of December 12, 1945, which enclosed a copy of a letter from Mr. J. F. Eichelberger, Credit Manager, The Hub, Baltimore. Mr. Eichelberger suggests that Regulation W as presently effective contains certain provisions which give lending institutions advantages over retailers.

"Every effort has been made to have the regulation as uniform in its application as is possible considering the differences in the kinds of business which are subject to it. The fact that lending institutions make loans for a great many purposes not directly related to the principal objective of the regulation — the control of credit for the purchase of consumers' durable goods — naturally calls for provisions that are in some cases different from those that are applicable to retailers. We do not believe, for example, that it is worthwhile to cause a major change in operating procedures just to reach a few transactions, even though complete equity would call for it.

"The provisions cited in Mr. Eichelberger's letter are instances of this kind. We did not think it necessary to burden lenders with a requirement that they examine carefully into every loan above \$1,500 when we knew that few loans of this size would include borrowing for consumers' durable goods. Nor did we think it necessary to have lenders ask borrowers about small items when loans would seldom be obtained to buy them. The advertisement which

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"you enclosed illustrates a plan which has been inaugurated by a few lenders lately and it may be that some volume of credit for consumers' durable goods will develop under it. There is no indication so far that it will be utilized extensively.

"If a home owner who has previously put a mortgage on his house to finance its purchase adds an amount to the mortgage to finance a refrigerator purchase, the addition is subject to Regulation W if the resulting total loan is under \$1,500. Payments on the original loan, however, being payments on an unregulated credit, may be handled as the parties decide, so may be postponed until after the regulated credit has been retired in accordance with the regulation. We doubt that many refrigerators, stoves, washers, etc., are bought in this way although it is theoretically possible.

"We appreciate your asking about the points raised by Mr. Eichelberger and giving us this opportunity to comment on them."

Approved unanimously.

Letter to Mr. Rounds, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"Acknowledgment is made of your letter of December 7, 1945, in which you state that the firm of York & Sawyer has been employed to make a preliminary study concerning the feasibility of altering and enlarging the building of the Buffalo Branch. It is noted that your building superintendent after a careful study has concluded that it should be practicable to remove the rear portion of the building and replace it with a modern structure several stories high. The Board appreciates your advice of this preliminary study and will be interested in knowing the conclusions of the architects.

"It is understood that if it is desired to proceed with the preparation of plans and specifications for this construction the matter will be submitted to the Board for its consideration."

Approved unanimously.

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Memorandum dated December 14, 1945, from the Board's Personnel Committee submitting, and recommending approval of, a proposed budget covering the expenses of the Board of Governors for the year 1946. The budget as submitted was as follows:

Personal Services

Salaries	\$1,692,462.91
Retirement Contributions	127,160.00
Total Personal Services	<u>1,819,622.91</u>

Nonpersonal Services

Traveling Expenses	\$ 152,900.00
Postage and Expressage	18,530.00
Telephone and Telegraph	55,200.00
Printing and Binding	69,100.00
Stationery and Supplies	19,125.00
Furniture and Equipment	23,475.00
Books and Subscriptions	9,185.00
Heat, Light, and Power	28,000.00
Repairs and Alterations (Building and Grounds)	14,700.00
Repairs and Maintenance (Furniture and Equipment)	4,406.00
Medical Service and Supplies	2,200.00
Insurance	8,150.00
Miscellaneous	90,905.00
Total Nonpersonal Services	<u>\$ 495,876.00</u>

Grand Total	\$2,315,498.91
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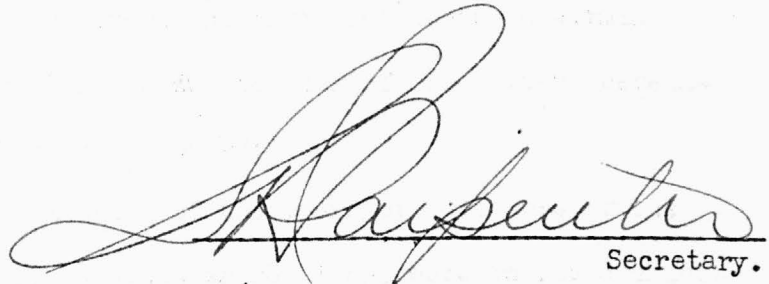
In a memorandum dated December 14, 1945, from Mr. Bethea, as the Board's budget officer, it was stated that, while the estimates contained in the budget for night work differential, occasional overtime, and extra holiday pay were believed to be adequate, it was desirable to provide a degree of flexibility in the administration of the budget in view of the Board's authorization of July 2, 1945, for the payment of irregular and occasional overtime and extra holiday duty,

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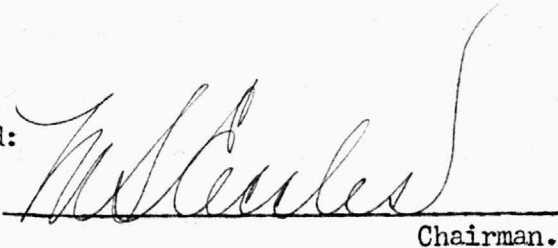
and that, therefore, it was proposed that the budget for these payments be adjusted where necessary in order to provide for duly authorized payments chargeable to this classification.

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.