

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 30, 1947.

PRESENT: Mr. Eccles, Chairman
Mr. Evans
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

Memorandum dated July 29, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the resignation of Mrs. Leila M. Doebler, a clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business August 22, 1947, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Memorandum dated July 29, 1947, from Mr. Leonard, Director of the Division of Examinations, recommending the appointment of Miss Anne Marie Stewart as a clerk in that Division with basic salary at the rate of \$2,168.28 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that it was contemplated that Miss Stewart would become a member of the Federal Reserve retirement system.

Approved unanimously.

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Memorandum dated July 25, 1947, from Mr. Smead, Director of the Division of Bank Operations, recommending the transfer of Miss Gertrude M. Murphy, a clerk-stenographer in the Division of Administrative Services, to the Division of Bank Operations as a clerk-stenographer with no change in her present basic salary of \$2,168.28 per annum, effective August 25, 1947. The memorandum also stated that the transfer was agreeable to the Division of Administrative Services.

Approved unanimously.

Memorandum dated July 28, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending that increases in the basic annual salaries of the following employees in that Division be approved, effective August 10, 1947:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
S. H. Bass	Chief, Fiscal Section	\$5,905.20	\$6,144.60
R. C. Twomey	Supvr., Dup. and Mail	3,648.00	3,773.40
M. P. Flagg	Telegraph Operator	3,271.80	3,397.20
Joyce S. Reid	Clerk-Stenographer	2,394.00	2,469.24
Thomas R. Deakins	Guard	2,318.76	2,394.00
Gertrude E. Trivett	Stenographer	2,020.00	2,168.28
Robert Carter	Laborer	1,954.00	2,020.00
Grace L. Thorne	Charwoman	1,822.00	1,888.00

Approved unanimously.

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

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"The Board of Governors of the Federal Reserve System under authority of the fourth paragraph of Section 16 of the Federal Reserve Act hereby establishes for the three months' period ending June 30, 1947, the rate of (1) per cent interest per annum on that amount of the Federal Reserve notes of your Bank which equals the average daily amount of its outstanding Federal Reserve notes during such period less the average daily amount of gold certificates held during such period by the Federal Reserve Agent as collateral security for such notes. Interest in an amount calculated in the manner and at the rate specified above shall be paid to the United States on July 31, 1947.

"According to daily balance sheets, the average daily amount of outstanding notes of your Bank during the second quarter of 1947 not covered by gold certificates with the Federal Reserve Agent was \$ (2). At rate specified above, payment to Treasury for second quarter will be \$ (3). Payment should be credited to Treasurer's General Account as Miscellaneous Receipts, Symbol 1841-Interest Collected, Section 16 Federal Reserve Act as amended. No statement being given to press with respect to this action.

	"(1)	(2)	(3)
"Boston	.34	\$1,022,627,382	\$ 866,851.81
New York	.65	2,211,340,397	3,583,583.14
Philadelphia	.37	1,182,587,840	1,090,896.78
Cleveland	.35	1,472,737,879	1,285,115.11
Richmond	.35	1,040,388,872	907,846.18
Atlanta	.36	825,859,026	741,236.76
Chicago	.44	1,660,631,342	1,821,689.83
St. Louis	.33	812,525,943	668,497.37
Minneapolis	.35	418,714,776	365,371.66
Kansas City	.40	646,998,826	645,226.23
Dallas	.47	430,652,486	504,630.32
San Francisco	.58	1,007,252,859	1,456,515.23"

Approved unanimously.

Letter prepared for Chairman Eccles' signature to Mr. F. J. Bailey, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

"Receipt is acknowledged of your letter of July 28, 1947, enclosing a facsimile of the enrolled enactment of

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"S. 1070, an act, 'To provide for the cancellation of the capital stock of the Federal Deposit Insurance Corporation and the refund of moneys received for such stock, and for other purposes.'

"This bill provides for the retirement of the capital stock of the Federal Deposit Insurance Corporation by payments to the Secretary of the Treasury, where this can be done without reducing the capital and surplus of the Corporation below \$1,000,000,000; the stock subscribed by the Federal Reserve Banks to be retired before the stock subscribed by the United States. The borrowing power of the Corporation is increased to \$3,000,000,000, and the salaries of the appointive members of the Board of Directors of the Corporation are increased from \$10,000 to \$15,000 per annum.

"The Board favors legislation on this subject and made a report to this effect to the Chairman of the Senate Banking and Currency Committee while the bill was pending in that Committee. Although the Board would favor some additional changes in the law with regard to this subject, it believes that the bill in the form passed by Congress is constructive and the provisions relating to the retirement of stock of the Federal Deposit Insurance Corporation are in large measure in conformity with the recommendation of the President in his budget message for 1948.

"It is our recommendation, therefore, that the President sign S. 1070."

Approved unanimously.

Letter prepared for Chairman Eccles' signature to Mr. F. J. Bailey, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

"Receipt is acknowledged of your letter of July 29, 1947, enclosing a facsimile of the enrolled enactment of H. R. 2800, an act 'To amend section 5 of Home Owners' Loan Act of 1933, and for other purposes.'

"This bill would broaden the lending authority of Federal savings and loan associations in an undesirable manner and permit them to encroach further into the banking field. We have discussed the bill with the Treasury

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"and we understand that the Treasury is also taking the matter up with other interested agencies of the Government.

"It is our recommendation, and we have so indicated to the Treasury, that H. R. 2800 receive a pocket veto. There is enclosed herewith a memorandum of reasons why this bill should not become law."

Approved unanimously, together
with the memorandum referred to which
read as follows:

"H. R. 2800 would broaden the lending authority of Federal savings and loan associations in an undesirable manner and permit them to encroach further into the banking field, where they would compete with the established commercial banking system on favored terms.

"The organization of Federal savings and loan associations was authorized in order to meet the need for local mutual thrift and home financing institutions. The primary function of the associations in the credit field has been to provide long term financing for the construction and purchase of homes.

"H. R. 2800 would be a major departure, permitting the associations to make loans of an entirely different character from those permissible under existing law and including loans wholly unrelated to home financing. Such an association would be given authority to make loans, in amounts up to \$1500 each and subject to an aggregate limitation of 15 per cent of its assets, of the following kinds:

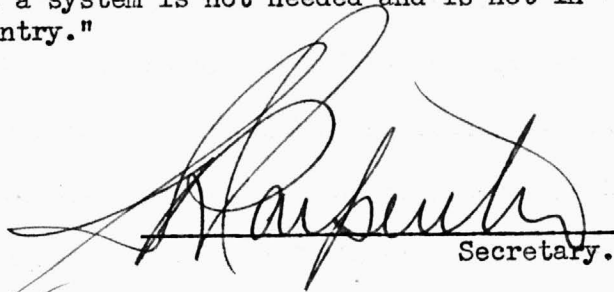
- (a) Loans for the purpose of financing alterations, repairs and improvements upon existing structures or the building of new structures, whether for homes or otherwise and whether secured or unsecured, when insured by the Federal Housing Administration under Title I of the National Housing Act;
- (b) other loans for property alterations, repairs and improvements even though unsecured and even though not insured by the Federal Housing Administration or any other Government agency; and (c) loans to veterans which are guaranteed by the Veterans Administration if made for various agricultural purposes with or without security or if made for general business purposes and secured by real estate.

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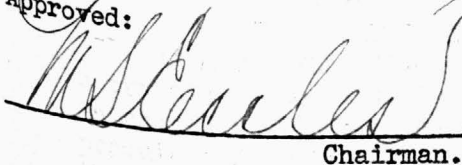
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"While exercising these broader lending powers in competition with commercial banks, the associations would retain the numerous advantages which they now possess as compared with banks. The associations are not required to maintain reserves against their share accounts such as banks are required to maintain against deposits. The associations are not required to have, and it is not contemplated that they will have, the same liquidity in their loans and investments as is maintained by commercial banks. The associations are permitted to purchase Government bonds bearing 2-1/4 and 2-1/2% interest rates which commercial banks are not now permitted to purchase. The associations are permitted to pay dividends on their share accounts (which in substance are savings) at higher rates than the rates of interest that banks under Federal regulation may pay on deposits. Finally, the associations enjoy tax exemptions of great value to them which are not accorded to commercial banks.

"The enactment of H. R. 2800 would constitute a step in the direction of establishing a separate banking system which would be detrimental to the existing banking structure. The development of such a system is not needed and is not in the interest of the country."


Secretary.

Approved:


Chairman.