

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, October 8, 1947.

PRESENT: Mr. Eccles, Chairman
 Mr. Szymczak
 Mr. Draper
 Mr. Evans
 Mr. Clayton

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 7, 1947, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on October 7, 1947, were approved unanimously.

Mr. Carpenter reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as of the close of business on October 6, 1947, and that, in accordance with the usual practice, a call was made today on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was approved unanimously.

Memorandum dated October 2, 1947, from Mr. Carpenter recommending the appointment of Miss Martha Helen Searcy as a file clerk in the Office of the Secretary, on a temporary basis for a period

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of six months, with basic salary at the rate of \$2,093.04 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 Searcy would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated October 2, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Mrs. Dorothy D. Reeves, Secretary to Mr. Young, be granted leave of absence from the Board for a period which would not exceed the extent of her available annual leave plus six months' leave without pay, to be effective as of the date upon which appropriate transportation arrangements could be made. The memorandum also recommended that Mrs. Reeves' death benefit insurance under the Federal Reserve retirement system be continued during the period of such absence.

Approved unanimously.

Memorandum dated October 7, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Mrs. Kathrine Boyd as a cafeteria helper in that Division, on a temporary basis for a period of two months, with basic salary at the rate of \$1,690 per annum, effective as of the

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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 not contemplated that Mrs. Boyd would become a member of the Federal Reserve retirement system during her temporary employment.

Approved unanimously.

Memorandum dated October 1, 1947, from Mr. Boothe, Assistant Director of the Division of Administrative Services, recommending the appointment of Benjamin L. Dinkins as a laborer in that Division, on a temporary basis for a period of two months, with basic salary at the rate of \$1,690 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. The memorandum also stated that it was not contemplated that Dinkins would become a member of the Federal Reserve retirement system during his temporary employment.

Approved unanimously.

Letter to Mr. Hill, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the request contained in your letter of October 1, 1947, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Philadelphia:

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"Jack A. Bernstein
Cyril J. Bowman
Francis J. Brutschea
Robert R. Ferguson
D. Patrick M. Robinson"

Approved unanimously.

Telegram to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the application of the "First State Bank", Junction, Texas, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas, effective if and when the bank is duly authorized to commence business by the appropriate State authorities. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank.

Approved unanimously.

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

"Reference is made to your letter of October 2, 1947, submitting the request of The Northern New York Trust Company, Watertown, New York, for approval of

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"the establishment of a branch in Copenhagen, New York, in connection with the proposed purchase of assets and assumption of deposit liabilities of The Copenhagen National Bank.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in Copenhagen, New York, by The Northern New York Trust Company of Watertown, New York, provided the absorption of The Copenhagen National Bank is effected substantially as proposed and the formal approval of the appropriate State authorities is obtained, and with the understanding that counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the absorption and establish the branch."

Approved unanimously.

Letter to Mr. Thomas F. Kelly, Government Coordinator for The Hoover Company, North Canton, Ohio, reading as follows:

"This will acknowledge receipt of your letter of September 11, 1947, which enclosed an advertisement by Sears, Roebuck & Co., Durham, North Carolina, offering vacuum cleaners at \$54.95 and \$62.75 on terms of \$5 down and \$5 per month.

"Since the down payment required under Regulation W is one-third for this article, an extension of credit as offered in this advertisement would clearly be in violation. We have referred the case to the Federal Reserve Bank of Richmond for corrective action. Thank you for calling it to our attention.

"Regulation W is now scheduled to expire after November 1, 1947, and not after December 1 as stated in your letter."

Approved unanimously.

Letter to Mr. G. H. Wegner, Market Research Division, Arnold, Schwinn & Company, 1718 North Kildare Avenue, Chicago 39, Illinois, reading as follows:

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"This is with reference to your letter of September 11, 1947, suggesting publication in the Federal Reserve Bulletin of an article which would discuss practices in the extension of instalment credit by banks and in particular the question of whether or not there should be recourse to the dealer when instalment paper is purchased by the bank from the dealer.

"It is certainly true that the trend has been toward nonrecourse paper, and banks must consider the question carefully in drawing up their plans for participation in the consumer credit business. We feel, however, that it would be inappropriate for the Board to publish anything which might be taken as an indication that the Board recommended any particular procedure. Sound credit plans can be worked out with either recourse or nonrecourse as a feature and it would seem to be a matter of choice for the individual bank as to which would be most satisfactory, depending upon the circumstances in each case and the local conditions with which the bank has to deal.

"This view by no means discounts the value to bankers of having the merits and demerits of various approaches brought to their attention. It is merely our considered opinion that an article or series of articles in a trade publication, such as is put out by the American Bankers Association, would best serve this purpose."

Approved unanimously.

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

"In continuance of the practice of recent years, there is being sent to you under separate cover a supply of work sheets (form F. R. 456) for use in compiling member bank operating ratios for 1947 and in furnishing such data to the Board.

"The work sheet is unchanged from the 1946 edition except as to call dates on the face side and transposition of the item numbers for loans and cash assets in column 2 of Section A in order to conform to changes made in the form of the condition report in December 1946. Subsequent to the printing of last year's work

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"sheets an additional ratio, dividends to net profits, was added to the work sheet by means of a rubber stamp; it has been decided not to compile this ratio for 1947. The changes in the work sheet have been cleared with the Presidents' Conference Committee on Member Bank Operating Ratios.

"The procedure followed last year should be observed in sending the completed work sheets, or duplicates thereof, to the Board after compilation of the tabulations usually made at your Bank."

Approved unanimously, with the understanding that the letter would be sent when the work sheets referred to therein were printed and ready for distribution.

Letter prepared for Mr. Clayton's signature to the Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, reading as follows:

"During the recent conference in Washington of the officers in charge of examinations at the Reserve Banks, there was a discussion of the instructions to examiners now outstanding which relate to the following statements made during the war period touching upon credit matters:

May 7, 1942. Joint statement by the Comptroller, the Federal Deposit Insurance Corporation, and the Federal Reserve, in harmony with that part of the President's Special Message to Congress of April 27 which urged the paying off of debts as a restraint upon rising living costs.

June 17, 1942. A statement by Chairman Eccles of the Federal Reserve respecting the accumulation of inventories of consumer goods, pursuant to a conference held at the Treasury on the same subject.

"In connection with these statements, examiners were requested to include in reports of examination comments with regard to observance or compliance by the bank examined.

"Since the statements related to the war effort and

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"were based on wartime conditions, they are now obsolete, and it is our thought to eliminate the requirement that comments relating thereto be included in reports of examination of State member banks by examiners for the Federal Reserve Banks. It is not planned to make public announcement of this change, since the purpose or effect could be easily misunderstood.

"Certain aspects of the statements may still have some application, such as, for instance, the reference to accumulation of abnormally large inventories. However, elimination of reference to the statements themselves in reports of examination would in no way prevent criticism, for reasons expressed in the statements, of any item in a bank's loan portfolio or any phase of a bank's policy if such criticism appears warranted under present economic conditions.

"Before issuing instructions to the Reserve Banks respecting this matter, the Board would like to be advised whether you would see any reason to differ with its conclusion, also whether it would be your plan to issue similar instructions to your own examining forces.

"The discussion at the recent Examiners' Conference also covered the joint statement of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Executive Committee of the National Association of Supervisors of State Banks, dated November 22, 1942, relating to investments in and loans on Government securities. While the statement itself may not be altogether applicable at this time, no specific instructions were issued to examiners in connection therewith and, accordingly, there would seem to be no occasion to include reference to this statement in issuing the proposed instructions to examiners regarding the other statements. Likewise, since the statement is generally regarded as having been issued because of wartime conditions, there would appear to be no occasion to issue a public statement regarding its continuance or withdrawal. We would like to know also whether you are in agreement with this position.

"Enclosed for your ready reference are copies of the three statements; the instructions to the examiners were contained in the statement of May 7, 1942 itself;

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"public reference to instructions regarding the statement of June 17, 1942, appeared on page 645 of the July 1942 Federal Reserve Bulletin.

"I am sending a similar letter to the Comptroller of the Currency."

Approved unanimously, together with a similar letter to the Honorable Preston Delano, Comptroller of the Currency.

[Handwritten Signature]
Secretary.

Approved:

[Handwritten Signature]
Chairman.

John B. ...
Richard P. ...
John A. ...
And H. ...
Woodward ...
Helen ...
Joseph ...
Carl ...
Phillip ...
William ...

Approved unanimously.

Letter to the Board of Directors of the State ...
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