

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 24, 1949.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 19, 1949, were approved unanimously.

Telegrams to the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and Kansas City, stating that the Board approves the establishment, without change by those Banks on January 20, 1949, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated January 18, 1949 from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Miss Lucy Evelyn Novey as a draftsman in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,949.72 per annum, effective as of the date upon which she enters upon the performance of her duties, after having passed

1/24/49

-2-

the usual physical examination.

Approved unanimously.

Memorandum dated January 24, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the appointment of Mrs. Lela M. Wilson, cafeteria helper in that Division, be extended on a permanent basis, without change in her present salary of \$2,020 per annum, effective January 29, 1949.

Approved unanimously.

Letter to Mr. Howard W. Jordan, President, Pennsylvania Rubber Company, Jeanette, Pennsylvania, reading as follows:

"Your letter of November 26, 1948, to Chairman Brainard with reference to your resignation as a director of the Pittsburgh Branch has been brought to the attention of the Board of Governors. The members of the Board sincerely regret to learn from your letter that as a result of your moving from the branch territory you will be unable to continue as a director of the Pittsburgh Branch and it is with reluctance that the Board of Governors accepts your resignation effective January 31, 1949.

"Your interest in and contribution to the Federal Reserve System during your four years of service with the Pittsburgh Branch are indeed appreciated and the Board trusts that your interest will continue after the termination of your official connection with the System."

Approved unanimously.

Letter to Mr. Shepard, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in Mr. Powell's letter of January 19, 1949, the Board

1/24/49

-3-

"of Governors approves, effective February 1, 1949, the payment of salary to Mr. Clayton E. Tillander, Assistant Federal Reserve Agent, at the rate of \$7,000 per annum."

Approved unanimously.

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

"This will acknowledge your letter of January 14, 1949, advising that your Board of Directors has approved an arrangement, effective January 1, 1949, whereby the surgical benefits for the employees at the Memphis Branch will be provided through the local Blue Cross Program rather than through the Missouri Medical Service, the present insuring agent.

"The Board will interpose no objection to this change."

Approved unanimously.

Letter to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of January 15, 1949, submitting a certified copy of a resolution adopted by the Board of Directors of Grants State Bank, Grants, New Mexico, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months notice that may be required.

"In view of your favorable recommendation, the Board of Governors waives the requirement of six months' notice, as requested. Accordingly, upon surrender of the Federal Reserve Bank stock issued to Grants State Bank, Grants, New Mexico, the Federal Reserve Bank is authorized to cancel such stock and make appropriate refund thereon.

"It is noted that the bank has applied or intends to apply for continuation of its deposit insurance and, therefore, it will have four months from the date of this letter within which to accomplish termination of its membership (FRLS #3548).

1/24/49

-4-

"Please advise the Board of Governors when cancellation is effected and refund is made. The Certificate of Membership issued should also be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and when it has been effected."

Approved unanimously.

Letter to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of December 28, 1948, enclosing a copy of a letter dated December 24, 1948, to your Bank from the Southern California Building and Loan Association, Los Angeles, California, concerning the application of Regulation W to loans to pay assessments levied against real property to cover improvements such as street paving, water mains, or the like.

"The above correspondence presents substantially the same question as that involved in your telegram of October 19, 1948, and the Board's telegraphic reply of November 1, 1948. Although further study has been given the problem particularly in the light of the more detailed information supplied by the Southern California Building and Loan Association, the Board's position as expressed in its reply of November 1, 1948, remains unchanged. An improvement of the kind in question which may benefit and burden, uniformly, not only highly improved properties but vacant lots as well, is essentially an improvement of the area or the land, rather than an improvement upon real property 'in connection with existing structures' within the meaning of section 7(g)(2) of the regulation.

"The fact that such an assessment, if not paid as prescribed, may become a lien prior to the lien of a mortgage lender as regards a particular property, does not alter the above result. Generally, but in a very real sense, other debts or obligations, whether incurred voluntarily or involuntarily, which are not paid when due may go to judgment and the levy of execution. While such a course of events may be undesirable, extensions of credit involving new money are not

1/24/49

-5-

"exempt from the regulation merely because the purpose of the credit is to pay a debt which may mature into a lien on real or other property.

"The Board appreciates that some inconvenience may arise by virtue of the foregoing views, but no other result would appear proper under the regulation in its present form."

Approved unanimously.

Letter to Mr. Fletcher, First Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of December 31, 1948, relating to Governor Evans' letter of December 17, 1948, to Mr. Chester C. Davis, President, Federal Reserve Bank of St. Louis, concerning the arrangement under which production credit associations make and service Commodity Credit Corporation loans as agents for the Corporation.

"There is no definite plan or program for banks handling loans under the major crop loan programs of the Commodity Credit Corporation as agents for the Corporation. Our inquiries into the manner in which the loans are being handled by the production credit associations resulted from the fact that at the last meeting of the Presidents of the Federal Reserve Banks with the Board, it was reported that certain banks had complained that they had been placed at a competitive disadvantage with production credit associations in handling such loans. The complaint was that the associations, unlike banks, are permitted to retain custody of the notes and other loan papers after loans have been taken over by the Commodity Credit Corporation, and that they are able, therefore, to return the loan papers to the borrowers promptly upon payment of the notes, whereas banks cannot do so. From the information obtained, however, there appeared to be considerable question whether banks are interested in handling the loans as agents of the Commodity Credit Corporation under an arrangement similar to that between the Corporation and the production credit associations and whether there is a substantial basis for our requesting the Corporation to give further study to such a program.

1/24/49

-6-

"Since the whole matter is in an exploratory stage at this time, definite answers cannot be given to questions such as are set out in your letter. Presumably, however, under an agency arrangement, there would be no marked difference from existing practices of banks with respect to the making and servicing of Commodity Credit Corporation loans, except that banks would be acting as agents of the Corporation rather than on their own behalf. Since they would not have their own funds invested in the loans, the banks would not receive any of the interest but, instead, would receive a small service fee.

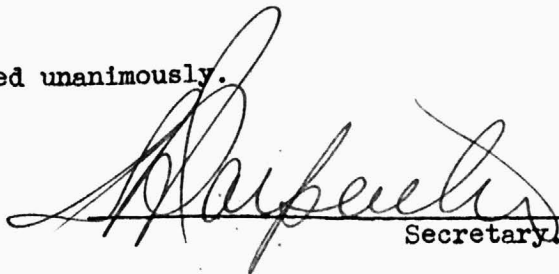
"The form of agreement between banks and the Corporation would be one of the matters which would have to be worked out if such a program were undertaken. Some changes in the form used in the case of production credit associations obviously would be necessary; but, for your information, we are enclosing a copy of that form of agreement. It perhaps should be noted that, while the agreement provides for a graduated schedule of service fees ranging from one-tenth to one-half of one per cent, we understand that it is expected the average fee paid on loans handled by the associations will not exceed the one-fourth of one per cent rate mentioned in Governor Evans' letter.

"We regret that we cannot give you any more definite information in view of the present status of this matter, but we trust that the foregoing may be of some assistance to you."

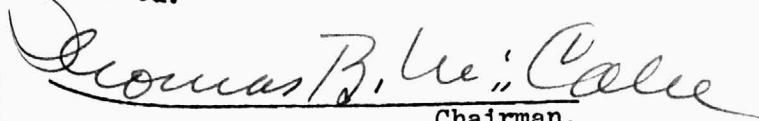
Approved unanimously.

Memorandum dated January 19, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending, for the reasons stated therein, an increase in the Traveling Expense classification of the 1948 non-personal budget of the Board Members' offices in the amount of \$725.

Approved unanimously.


Secretary.

Approved:


Chairman.