

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, April 18, 1949.

PRESENT: Mr. McCabe, Chairman  
Mr. Szymczak  
Mr. Draper  
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 April 12, 1949, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 13, 14, and 15, 1949, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated April 18, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective May 1, 1949:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Mildred Tydings (Mrs.)	Supervisor, Cafeteria	\$4,354.20	\$4,479.60
B. M. Unger	Sergeant	3,175.44	3,250.68
J. Frank Bell	Head Chauffeur	2,949.72	3,024.96
Mary E. Johnson	Telephone Operator	2,724.00	2,799.24
Herman Lee Tobler	Guard	2,648.76	2,724.00
Dorothy Reamey	Page	2,423.04	2,498.28
Della Payne	Cafeteria Helper	2,218.00	2,284.00
Louise A. Wrightson	Charwoman	2,086.00	2,152.00

Approved unanimously.

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

"In accordance with the request contained in your letter of April 12, 1949, the Board approves the designation of James W. Gentry, Jr., as a special assistant examiner for the Federal Reserve Bank of Richmond."

Approved unanimously.

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

"In accordance with the request contained in your letter of April 14, 1949, the Board approves the designation of W. F. Lambert as a special assistant examiner for the Federal Reserve Bank of Richmond."

Approved unanimously.

Letter to Mr. Dearmont, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of April 14, 1949, the Board of Governors approves, effective April 1, 1949, the payment of salary to Mr. Carl Ritzel, Federal Reserve Agent's Representative, Memphis Branch, at the rate of \$4,800 per annum."

Approved unanimously.

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

"The Board of Governors approves the payment of salary to Mr. Charles G. Young, Jr., as Counsel of the Federal Reserve Bank of St. Louis, for the period May 1, 1949, to May 31, 1950, inclusive, at the rate of \$7,000 per annum, which is the rate fixed by the Board of Directors as indicated in your telegram of April 15, 1949."

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Approved unanimously, the matter having been discussed at an informal meeting today with the Executive Committee of the St. Louis Bank consisting of Messrs. Dearmont, Smith, and Alexander, and at which meeting Mr. Davis, President of the Bank, was also present.

Letter to the Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, reading as follows:

"In accordance with the request contained in your letter of April 12, 1949, the Board of Governors of the Federal Reserve System hereby grants written consent, pursuant to the provisions of subsection (k) (2) of Section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make an examination of the Center Moriches Bank, Center Moriches, New York, in connection with its application for continuance of insurance after withdrawal from membership in the Federal Reserve System.

"There are no corrective programs nor unfulfilled agreements pertaining to the bank in connection with which the Board would suggest incorporation of conditions for continuing its status as an insured bank."

Approved unanimously.

Letter to "The First National Bank of Des Plaines", Des Plaines, Illinois, reading as follows:

"This refers to the resolution adopted on September 14, 1948, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has never accepted or undertaken the exercise of any trust, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

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"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by section 11(k) without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of section 11(k)."

Approved unanimously.

Letter to the Honorable Kenneth C. Royall, Secretary of the Army, reading as follows:

"There has come to the Board's attention a situation involving the First National Bank in Richmond, California, growing out of that bank's participation in the wartime V-Loan Program. As you know, that program was carried on pursuant to the President's Executive Order No. 9112 and this Board's Regulation V as a means of providing war contractors with necessary working capital.

"We understand that in 1942 the bank in question made a V-loan to a war contractor subject to a 90 per cent guarantee by the War Department and that, upon default of the borrower, certain bonding companies, which had been required to pay claims of materialmen of the borrower, obtained a judgment against the bank in a State court for amounts paid by the Government to the bank as assignee of the borrower's claims under his war contract. This judgment, amounting to approximately \$70,000, is now on appeal; and in the meantime, it has been necessary for the bank, under a ruling of the Office of the Comptroller of the Currency, to set aside in a reserve account the full amount of the judgment.

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"It is the position of the bank that the Department of the Army, under the terms of the guarantee agreement, is obligated to assume 90 per cent of any loss resulting from payment of this judgment, but in November 1948 the Department advised the bank that it denies any further obligation under the guarantee agreement.

"The Board has an interest in this matter not only because of the fact that the bank involved is a member bank of the Federal Reserve System but because, as you know, the V-Loan Program was administered through the Federal Reserve Banks and in accordance with the Board's Regulation V. For this reason and because it is the view of our counsel that the Government is obligated to share the loss on the loan in this case, we are taking the liberty of bringing this matter to your attention. The bank involved is not a large one and will be seriously injured if it is compelled to absorb the entire amount of the loss on the loan. This we feel would be contrary to the purpose and terms of the guarantee agreement to which the bank, the War Department, and the Federal Reserve Bank all were parties.

"The Board believes that this case involves an important principle because of its possible effect upon any future program in which the Government might desire to enlist the services and facilities of the commercial banking system in the financing of Government contractors. It would be most unfortunate, in view of the successful nature of the V-Loan Program during the last war, if a case of this kind should be permitted to create any impression on the part of financing institutions and others who contributed so much to the success of that program, that the Government is reluctant to see that its obligations are fully carried out in accordance with agreements entered into by the parties.

"For the reasons indicated above, we hope that further consideration may be given to the merits of this case. Since it is understood that this matter is now under consideration by the Department of Justice as well as the Department of the Army, we are sending a copy of this letter to the Department of Justice for its information."

Approved unanimously.

Letter to the Honorable Burnet R. Maybank, Chairman, Committee on Banking and Currency, United States Senate, reading as follows:

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"This is in response to Mr. McMurray's letter to Chairman McCabe, dated February 22, 1949, requesting an opinion as to the merits of S. 529, a bill to be known as the 'Veterans Economic Development Corporation Act of 1949.'

"This bill would establish a Veterans' Economic Development Corporation with a capital of \$500 million subscribed by the United States Treasury and with authority to issue Government guaranteed obligations up to 10 times that amount. The Corporation would be empowered, among other things, to make loans to veterans, either to assist or establish them in businesses, trades, professions, or agriculture; to make loans to veterans or other persons, including public bodies and educational institutions, where the proceeds would be used to furnish substantial employment opportunities for veterans or for the construction of veterans' housing or veterans' educational facilities; and to guarantee loans made by banks or other lending institutions where the proceeds of such loans are to be used for any of the purposes for which the Corporation itself is authorized to make loans. The Board of Directors of the Corporation, consisting of 7 members appointed by the President, would be assisted and advised in the administration of the Act by an Interdepartmental Committee representing certain Government agencies and also by an Advisory Council representing private groups having an interest in the education, training, rehabilitation or employment of veterans.

"While the Board is sympathetic with the objectives of providing veterans with needed financing through loans and guarantees, the Board believes that such financing is already largely provided for under existing law through various agencies of the Government which have authority to make and guarantee loans to business enterprises or for agricultural purposes. Veterans are entitled to the full benefit of these authorities in existing law to the same extent as other persons and, in addition, they are entitled to special benefits under the Servicemen's Readjustment Act which authorizes the Government through the Veterans Administration to guarantee loans to veterans for business purposes, homes and farming. It is doubtful, therefore, whether there is sufficient justification for setting up a new Government corporation to provide facilities which are in large measure already afforded by existing agencies, especially when it involves the use of up to \$5-1/2 billion of Government credit.

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"If at any time in the future it should be found that existing statutes are in some particular respects too restrictive or otherwise unworkable to provide veterans with the credit which would be helpful to them and to the economy as a whole, appropriate amendments to existing laws could be adopted without the necessity for setting up a new Governmental agency or for using large additional appropriations.

"For the reasons indicated, it is the view of the Board that the enactment of the Bill S. 529 would be undesirable at this time."

Approved unanimously.

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

"There is enclosed for your information a copy of a letter which the Board has received from Mr. J. DeW. Johnson, Assistant Chief, Audit Division, General Accounting Office, dated April 7, 1949, regarding the requirements of the General Accounting Office with respect to assignment of claims under Government contracts pursuant to the Assignment of Claims Act of 1940, particularly requirements in connection with the execution of assignments by corporate assignors. A similar letter from the General Accounting Office was transmitted to you for your information with the Board's letter of April 22, 1944. The requirements of that Office with respect to assignments of claims are contained in 22 Comp. Gen. 161, and are also set forth in the Federal Reserve Loose Leaf Service, #9603.

"In accordance with the request from the General Accounting Office, it will be appreciated if you will bring this matter to the attention of such member banks and other financing institutions in your District as you think may have an interest in the matter."

Approved unanimously.

Approved:

Thomas B. Williams  
Chairman.

[Signature]  
Secretary.