

Minutes of actions taken by the Board of Governors of the  
Federal Reserve System on Thursday, May 26, 1949.

PRESENT: Mr. McCabe, Chairman  
Mr. Draper  
Mr. Clayton

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

Memorandum dated May 24, 1949, from Mr. McCabe, Chairman of  
the Board of Governors, recommending an increase in the basic salary  
of Miss Madeleine E. Benton, secretary to the Chairman, from \$5,000  
to \$5,400 per annum, effective May 29, 1949.

Approved unanimously.

Memorandum dated May 20, 1949, from Mr. Young, Associate Direc-  
tor of the Division of Research and Statistics, recommending that Miss  
Reba Catherine Driver be appointed as a clerk in that Division on a  
temporary indefinite basis, with basic salary at the rate of \$2,498.28  
per annum, effective as of the date upon which she enters upon the  
performance of her duties after having passed the usual physical ex-  
amination.

Approved unanimously.

Memorandum dated May 26, 1949, from Mr. Bethea, Director of  
the Division of Administrative Services, recommending that the tempo-  
rary appointment of Miss Lulu A. Sinclair, a cafeteria helper in that

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Division, be extended for an additional period of two months from June 4, 1949, with no change in her present basic salary at the rate of \$2,020 per annum.

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 May 24, 1949, the Board approves the designation of Bernard W. Crump, Jr. as a special assistant examiner for the Federal Reserve Bank of Richmond."

Approved unanimously.

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

"In accordance with the request contained in Mr. Peyton's letter of May 24, 1949, the Board of Governors approves, effective June 1, 1949, the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
M. G. Anderson	Alternate Assistant Federal Reserve Agent	\$3,900
W. S. Ferrian	Alternate Assistant Federal Reserve Agent	5,150"

Approved unanimously.

Letter to the Honorable Wright Patman, House of Representatives, reading as follows:

"This is in response to your letter of May 17, 1949, with its enclosure, requesting my views with respect to a proposal that section 5137 of the Revised Statutes be amended in order to permit a national bank to continue to own a commercial building beyond the present five-year

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"limitation of the law where the building has been charged off the books of the bank.

"The existing limitation in the law is designed to allow a national bank a reasonable time for the liquidation of assets acquired in satisfaction of pre-existing debts, but to prevent the indefinite holding of such assets. This limitation recognizes the undesirability of banks acquiring and retaining indefinitely the ownership of real properties.

"I can understand the unwillingness of a bank in a particular instance to dispose of a building or other real property which has become a profitable income-producing asset. Such instances are rare, however, and it is not believed desirable to remove the statutory limitation in order to allow a few banks to derive profit from a source of this kind which does not represent a normal banking operation. It should be borne in mind that such assets are acquired in satisfaction of pre-existing debts held by the banks, and experience has proven that as a result of deterioration in market value the realizable value of the property at the time of acquisition by the bank is seldom, if ever, as great as the amount which the bank has originally loaned against it. Frequently such assets continue to deteriorate in value or require additional outlay for maintenance or improvement in order to make them salable. This is true whether or not the asset has been charged off on the books of the bank.

"Moreover, it is possible that the removal of the five-year limitation as proposed would lead to an expansion of the activities of national banks into a field unrelated to normal banking business. Some national banks might be inclined to retain and operate, not only office buildings, but other properties which might in certain circumstances influence the bank's policies. Banks might thus be encouraged to speculate in real estate.

"For the reasons which I have indicated, it is my view that the proposed amendment to section 5137 of the Revised Statutes would not be desirable in the interests of sound banking and in the interests of the public.

"If I can be of any further assistance to you in connection with this or any other matters, I hope that you will feel free to call upon me at any time."

Approved unanimously.

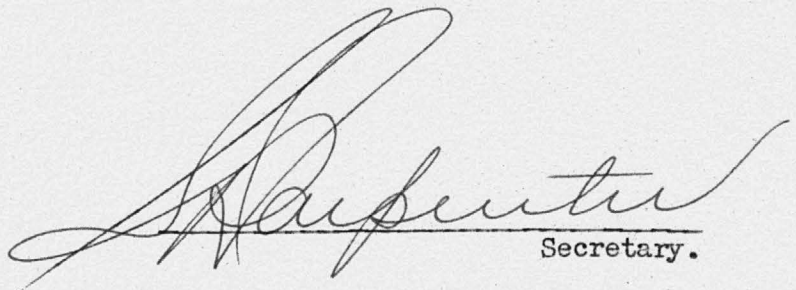
Letter to Mr. Sanford, Assistant Vice President of the Federal Reserve Bank of New York, reading as follows:

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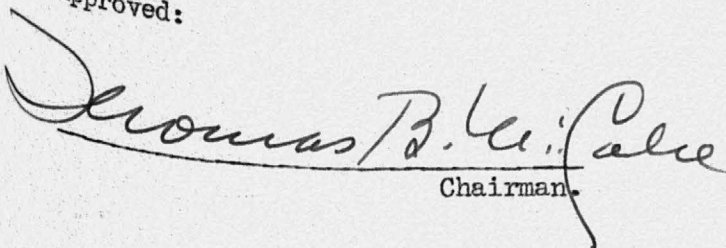
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"In accordance with your request of May 20, the Board has approved the extension from May 31 to November 30, 1949 of the existing credit arrangement of your bank with Bank for International Settlements, which provides for short-term dollar advances of up to \$5 million against gold to that bank, on the same terms and conditions as stated in your bank's telegram dated November 18, 1948, except as to the date on or before which loans must be requested and made."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.