

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, May 22, 1950.

PRESENT: Mr. Draper, Chairman pro tem.  
Mr. Vardaman

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"The Board of Governors approves the payment of salary to Mr. Joseph A. Erickson as President at the rate of \$25,000 per annum and to Mr. William Willett as First Vice President at the rate of \$18,000 per annum, these being the rates reported in Mr. Erickson's letter of April 27, 1950, and your letter of May 15, 1950, as having been fixed by the directors, for the period May 1, 1950, through February 28, 1951, the date of expiration of their terms of office.

"The Board of Governors also approves the payment of salary to the following officers at the rates indicated, which, according to Mr. Erickson's letter of April 27, 1950, and your letter of May 15, 1950, are the rates which were fixed by the board of directors, for the period May 1, 1950, through April 30, 1951.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Ellis G. Hult	Vice President	\$16,000
Earle O. Latham	Vice President	13,000
Alfred C. Neal	Vice President & Director of Research	13,000
Carl B. Pitman	Vice President	16,000
Oscar A. Schlaikjer	Vice President & General Counsel	16,000
Roy A. Van Amringe	Vice President	12,000
John J. Fogg	Vice President	13,000
Robert B. Harvey	Cashier	11,000
Ansgar R. Berge	Secretary, Assistant Counsel & Assistant Federal Reserve Agent	11,000
Edward A. Davis, Jr.	Assistant Vice President	9,500
Dana D. Sawyer	Assistant Vice President	9,000

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
Louis A. Zehner	Assistant Vice President	\$9,000
Elmo O. Adams	Assistant Cashier	7,250
Frank C. Gilbody	Assistant Cashier	8,500
Edward W. O'Neil	Assistant Cashier	8,000
John J. Rock	Assistant Cashier	7,750
Elliot S. Boardman	Assistant Cashier	7,750
David L. Strong	Auditor	7,500

"It is understood that Assistant Cashier Adams will retire effective November 30, 1950, and the payment of his salary is accordingly approved only until the date of retirement."

Approved unanimously.

Letter to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of March 14, 1950, advising of the action of your Board of Directors recommending an adjustment in the salaries of the President and First Vice President of the Federal Reserve Bank of Cleveland. A reply to your letter has been deferred pending consideration of the salaries of all officers of the Cleveland Bank and because we knew you were on an extended business trip.

"The Board has advised Mr. Gidney by letter of its approval of salaries of officers for the year beginning May 1, 1950, including the approval of the payment of salaries to the President and First Vice President at their present rates for the period May 1, 1950, to February 28, 1951, the expiration of their present terms.

"The comments in your letter with respect to the salaries of the President and First Vice President have been given careful consideration by the Board, but for reasons which have been discussed on several occasions it feels that it would not be justified in approving an increase in the level of these salaries at this time.

"The Board appreciates the reasons which prompted your letter and the interest of the directors in the management of the Bank. The Board's decision in no way reflects upon the competence of the present incumbents of the top positions at the Cleveland Bank."

Approved unanimously.

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

"The Board of Governors approves the payment of salary to you as President at the rate of \$25,000 per annum and to Mr. William H. Fletcher as First Vice President at the rate of \$18,000 per annum, these being the rates reported in your telegram of May 11, 1950, as having been fixed by the directors, for the period May 1, 1950, through February 28, 1951, the date of expiration of your terms of office.

"The Board of Governors also approves the payment of salary to the following officers of the Federal Reserve Bank of Cleveland and its Branches at the rates indicated, which, according to your letter of April 12, 1950, and your telegram of May 11, 1950, are the rates which were fixed by the board of directors, for the period May 1, 1950, through April 30, 1951:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
R. R. Clouse	Vice President	\$11,000
A. H. Laning	Vice President & Cashier	12,500
M. Morrison	Vice President	11,500
P. C. Stetzelberger	Vice President	10,500
D. S. Thompson	Vice President	14,000
H. E. J. Smith	Assistant Vice President	9,500
C. J. Bolthouse	Assistant Cashier	8,400
P. B. Didham	Assistant Cashier	7,000
G. H. Emde	Assistant Cashier	8,500
J. R. Lowe	Assistant Cashier	8,000
J. M. Miller	Assistant Cashier	8,000
G. R. Ross	Assistant Cashier	7,500
W. T. Blair	Counsel & Secretary	10,000
H. M. Boyd	Chief Examiner	8,500
C. F. Ehninger	Auditor	10,000
H. B. Flinkers	Assistant Secretary	6,500
L. M. Hostetler	Manager, Research Department	9,000
<u>Cincinnati Branch</u>		
W. D. Fulton	Vice President	13,500
H. N. Ott	Cashier	10,000
P. J. Geers	Assistant Cashier	8,400
C. Harrell	Assistant Cashier	8,400

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Cincinnati Branch</u>	
R. G. Johnson	Assistant Cashier	\$ 8,500
	<u>Pittsburgh Branch</u>	
J. W. Kossin	Vice President	15,250
A. G. Foster	Cashier	11,200
W. H. Nolte	Assistant Cashier	7,500
J. R. Price	Assistant Cashier	6,900
J. A. Schmidt	Assistant Cashier	8,500
R. J. Steinbrink	Assistant Cashier	8,000"

Approved unanimously.

Letter to Mr. McCormick, Chairman of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors approves the payment of salary to Mr. Hugh Leach as President at the rate of \$25,000 per annum and to Mr. J. S. Walden, Jr. as First Vice President at the rate of \$18,000 per annum for the period June 1, 1950, through February 28, 1951, the date their terms of office will expire. These rates, according to the list attached to your letter of March 22, 1950, and Mr. Leach's telegram of May 12, 1950, are the rates which were fixed by the board of directors.

"The Board of Governors also approves the payment of salary to the following officers at the rates indicated, which, according to the list attached to your letter of March 22, 1950, and Mr. Leach's telegram of May 12, 1950, are the rates which were fixed by your board of directors for the period June 1, 1950, through May 31, 1951:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Wayne, Edward A.	Vice President	\$16,000
Mercer, Roger W.	Vice President and Cashier	12,000
Strathy, Clair B.	Vice President and Secretary	11,000
Watson, K. Brantley	Vice President	12,000
Williams, Charles W.	Vice President	12,000
Armistead, N. L.	Vice President	11,000
Martin, Upton S.	Assistant Vice President	9,000
Waller, Edward, Jr.	Assistant Cashier	8,400

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Nowlan, Joseph M.	Assistant Cashier	\$ 8,500
Wakeham, Wythe B.	Assistant Cashier	7,500
Brock, R. S., Jr.	Auditor	10,000
Heflin, Aubrey N.	Counsel	9,000
Snead, G. Harold	Chief Examiner	8,500
<u>BALTIMORE BRANCH</u>		
Milford, W. R.	Vice President	15,000
Hagner, Donald F.	Cashier	10,000
Johnston, John A.	Assistant Cashier	8,200
Wienert, Adolph C.	Assistant Cashier	7,500
Armstrong, Bernard F.	Assistant Cashier	7,200
<u>CHARLOTTE BRANCH</u>		
Cherry, Robert L.	Vice President	12,000
Ligon, Stanhope A.	Cashier	9,000
Honeycutt, Robert L.	Assistant Cashier	7,200
Mondy, E. Clinton	Assistant Cashier	6,600

"The Board of Governors also approves the designation of Vice President Armistead as the officer in charge of the Examining Department effective June 1, 1950."

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 May 6, 1950, enclosing a copy of a letter from Mr. Merl McHenry, Vice President and Trust Officer, Bank of America National Trust and Savings Association, San Francisco, California, relating to the fees which his bank may charge for the administration of trusts which hold participations in a common trust fund operated by the bank.

"It appears that the bank has a schedule of trust fees based on principal and that a higher rate is charged for a trust's investments in real estate loans than for its investments in other personal property. Since there is this difference in rates when the funds of a trust are invested separately, the bank inquires whether, upon the investment of funds of a trust in a participation in the bank's common trust fund which holds some real estate loans, the fee charged for the administration of the participating trust may be based

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"in part upon the rate for real estate loan investments. For example, if 15 per cent of the assets of the common trust fund consist of real estate loans, can the bank charge the real estate loan rate on 15 per cent of a trust's participation in the common trust fund?

"The bank's inquiry was prompted by the following provision of section 17(c)(8) of Regulation F:

'A national bank \* \* \* shall not \* \* \* receive, either from the Common Trust Fund or from any trusts the funds of which are invested in participations therein, any additional fees, commissions, or compensations of any kind by reason of such participation.'

"In the Board's opinion, this provision of Regulation F does not prohibit the bank from basing its fee in part on the real estate loan rate as suggested above. It is the Board's view that the bank would not be receiving any additional fee by reason of the trust's participation in the common trust fund if it received no greater fee than would be charged if the funds of the trust were separately invested in the same classes of investments as are held by the common trust fund.

"The Board is not undertaking to rule on any aspect of this matter other than the application of the above-quoted provision of Regulation F. The fees which a national bank may charge for the administration of trusts depend, of course, on the facts of particular cases, including the terms of the trust instruments, court orders, and State laws; and, in this connection, consideration should be given to the provisions of section 14(a) of Regulation F dealing generally with trust fees of national banks."

Approved unanimously.

Letter to Mr. Peyton Ford, The Assistant to the Attorney General, Department of Justice, Washington 25, D. C., reading as follows:

"This is in response to your letter of May 10, 1950, enclosing a copy of the bill S. 2569, for the relief of the First National Bank in Richmond, California, and requesting the Board's views with respect

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"to that bill. It is understood that it is desired that the Board's report on this bill be transmitted directly to your Department which will transmit its own report and the Board's report to the Bureau of the Budget for advice as to the relation of the bill to the program of the President, and that, upon receipt of such advice, your Department will then forward the reports to the Senate Committee on the Judiciary.

"From information contained in the Board's files, it is our understanding that the essential facts of this case are as follows. Acting under the V-loan program for financing war production, the War Department in December, 1942, entered into a guarantee agreement with the First National Bank in Richmond, California, under which the War Department agreed to bear 90 per cent of all losses on a loan made by the Bank to the R. J. Minton Construction Company and also to assume the same proportion of all expenses incurred by the Bank after default in the enforcement of such loan. The loan was secured by an assignment to the Bank of the borrower's claims under the war contract which it had with the Government.

"Upon the default of the borrower in 1943, certain surety companies which had been obliged to pay claims for labor and materials brought suit against the Bank in a State court to recover certain amounts which had been paid by the Government to the Bank as assignee of the borrower's claims under the war contract; and in 1948 a judgment was entered against the Bank which, with interest, amounted to approximately \$70,000. It is the Bank's position that the loss resulting from enforcement of this judgment is a loss on the loan and that the War Department is liable under the guarantee agreement for 90 per cent of such loss, but the War Department has denied such liability.

"It is further understood that some months ago, under the terms of a compromise agreement approved by the Department of Justice, the surety companies accepted \$50,000 in full satisfaction of their judgment and that of this amount \$23,000 was paid by the Bank and \$27,000 was paid by the War Department. Consequently, since the Bank has incurred legal fees of

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"approximately \$10,000 in connection with the loan, total losses and expenses on the loan have been about \$60,000, of which the Bank has in effect received from the Government approximately 45 per cent. Although the Bank deemed it advisable to accept the compromise settlement on this basis, it is believed that, in view of all the circumstances of the case, the Bank is equitably entitled to receive from the Government 90 per cent of all losses and expenses incurred, that is, about \$54,000. The bill, S. 2569, would accomplish this result by providing for payment to the Bank of the difference between this amount and the amount which it has in effect already received from the Government.

"The Board of Governors has been interested in this case, not only because of the Bank's membership in the Federal Reserve System, but because the V-loan program was administered through the Federal Reserve Banks and in accordance with the Board's Regulation V. The guarantee agreement with the First National Bank in Richmond was executed by the Federal Reserve Bank of San Francisco as agent for the War Department. Because of its interest in the matter, the Board addressed a letter to the Secretary of the Army on April 18, 1949, urging that further consideration be given to the merits of this case; and a copy of that letter is enclosed for your information. As indicated in the Board's letter, it is the view of the Board's Counsel that the Government is obligated to share the loss on the loan in this case. Moreover, the 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.

"For the reasons indicated, the Board believes that the claim of the Bank against the Government is a meritorious one and that enactment of the bill S. 2569 is entirely justified. The First National Bank in Richmond has recently been succeeded by the Central Valley Bank of California in Richmond, California, also a member of the Federal Reserve System; but this would not seem to affect the equities of the case."

Approved unanimously.



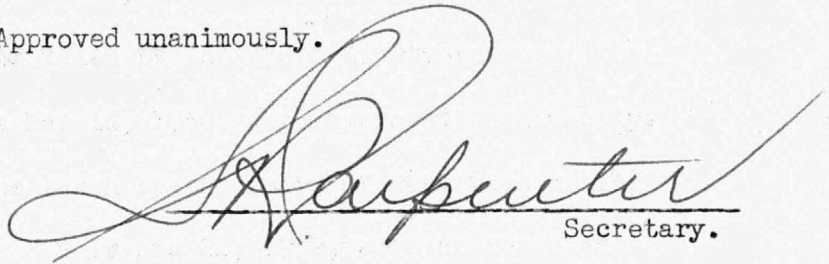
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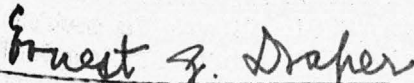
Telegram to Mr. Peyton, President of the Federal Reserve  
Bank of Minneapolis, reading as follows:

"Board will interpose no objection to the construction of a coin vault and the expenditure for that purpose of approximately \$62,000, as outlined in your letter of May 10 and Mr. Mills' letter of May 17, 1950."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman pro tem.