

X-9063

Upon call of the Chairman, Mr. A. M. Creighton, a supper meeting of the Chairmen of the Industrial Advisory Committees was held at the Carlton Hotel at seven o'clock - Monday, December 17, 1934 with the following present:

Mr. A. M. Creighton - Boston,
 Mr. William H. Pouch - New York,
 Mr. J. E. Butterworth - Philadelphia,
 Mr. F. A. Smythe - Cleveland,
 Mr. John Sanford - Atlanta,
 Mr. Max Epstein - Chicago,
 Mr. Wm. E. Norris - St. Louis,
 Mr. Sheldon V. Wood - Minneapolis,
 Mr. Clarence Ousley - Dallas,
 Mr. Ralph H. Burnside - Portland, Oregon,
 Mr. S. F. Gilmore - St. Louis,
 Mr. W. M. Hale - San Francisco.

Upon motion duly presented and seconded the following officers were elected:

Mr. A. M. Creighton - Chairman
 Mr. William H. Pouch - Vice Chairman
 Mr. J. E. Butterworth - Secretary

Upon motion duly presented and seconded the following answers given below are the unanimous consensus of opinion of the meeting, with exceptions noted where they occur:

QUESTIONS

ANSWERS

- | | |
|--|--|
| 1. What is feeling in regard to operation of Section 13b by the Federal reserve banks, | |
| (a) Among industrialists, whether potential borrowers or not? | (a) Where they are acquainted, or have a knowledge of the law, they are favorable. |
| (b) Among other business leaders? | (b) Same answer as above. |

QUESTIONS

ANSWERS

- (c) Among financial institutions?
- (c) Financial institutions which are acquainted with the law are favorable; our great duty is to acquaint more with the real possibilities under the law.
2. Need for working capital for industry and commerce.
- (a) Has experience indicated that there was a substantial need not being met through usual sources of credit?
- (a) Yes. While the need apparently is not as great as at first thought, there is need and this present law takes care of it, all of which is supported by the number of loans that have been made in the short period we have been operating.
- (b) If such need now exists can it be adequately met under the present Section 13b?
- (b) Yes. We feel that practically all worthy cases so far presented have been taken care of either directly or indirectly and existing needs can be taken care of in the future.
3. Assuming that there will be a continuing need for 13b advances or commitments,
- (a) Will applications for the most part take the form of:
- (1) Applications for direct advances.
- (3a-1) At the present time most of the applications are for direct advances in most of the Federal reserve districts although the percentage varies considerably.
- (2) Applications involving separate advances by the Federal reserve bank and by financing institution, or
- (3a-2) There is no general rule throughout the entire System. Applications direct to Federal reserve banks are decreasing and those to the

QUESTIONS

ANSWERS

local banks are increasing in the majority of the districts. Most members of the Committee feel that applicants should be encouraged to make applications through the local banks, which should be encouraged as it is most advantageous for the local banks.

(3) Applications from financing institutions for commitments covering proposed advances.

(3a-3) If financing institutions refers to Factor and Finance Companies, there has been very few cases of this kind.

(b) Should the rates charged by the Federal reserve banks be so fixed as to encourage applications under 1, 2 or 3 above?

(b) It seemed to be the consensus of opinion that the present rates were satisfactory and should be continued. Such rates should encourage the local banks to cooperate.

4. Recognizing that subsection "a" of Section 13b is designed to meet emergency situations, should it be a permanent provision of law, and if so, should it be amended as regards:

(a) Requirement that applicant be unable to obtain requisite assistance from usual sources.

The Committee feels that Section 13b should be continued in its present form as long as the emergency exists and that subdivisions a, b, c and d be continued. Two Members believed that b might be broadened to include proprietary capital.

(b) Requirement that loans be for working capital purposes.

(c) Requirement that loans be made on a reasonable and sound basis.

(d) Requirement that loans be confined to established businesses.

QUESTIONS

ANSWERS

5. Should subsection "b" of Section 13b be a permanent provision of law, and if so, should it be amended as regards:
- (a) Authorization of advances through financing institutions other than member banks.
- (b) Amount of obligation as to loss sustained.
- (c) Authorization of separate loans by Federal reserve banks and by a financing institution on which repayments are made pro rata.
6. Would the making of loans for working capital purposes presumably have been conducted more effectively if Intermediate Credit Banks affiliated with the Federal reserve banks had been set up for this purpose as provided in the first bill proposed by the Federal Reserve Board? If so, why?
7. What has been experience as regards applications?
- (a) Extent to which fear of rejection and of possible adverse effect upon applicant's credit standing has discouraged submission of applications.
- (b) Extent of and reasons for withdrawal of applications.
6. The Committee felt that the answer to this question is NO; the Chicago Chairman dissenting.
- (a) It is not felt that fear of rejection and adverse effect upon an applicant's credit has discouraged applications in more than a few instances.
- (b) Negligible, and usually for the reason that applicant has found that funds would not be needed, or has obtained funds from usual banking sources.

QUESTIONS

ANSWERS

- (c) Is character of applications improving? Is the proportion of applications for direct advances declining?
- (d) Has there been any substantial number of complaints of a lack of courtesy on the part of the Committee or of officials or employees of Federal reserve banks?
- (e) Is there any evidence that Federal reserve banks are requiring an excessive amount of collateral to secure loans?
- (f) Is there evidence of any other ground for criticism of either the committees or the banks?
8. Assuming that more participations by and commitments to financial institutions are desirable, what is your recommendation as to how to best obtain the cooperation of financial institutions to this end?
9. Has the Federal reserve bank taken adequate measures to bring to the attention of financial institutions, and
- (c) Character of applications is improving and varying. The proportion of applications for direct advances is continuing in varying proportions.
- (d) We are not aware of any complaint of lack of courtesy on the part of the Committee or officials or employees of the Federal reserve banks.
- (e) There is no evidence that Federal reserve banks are requiring an excessive amount of collateral to secure loans. On the other hand, every effort is being made to make loans when the security may be regarded as reasonable.
- (f) There is no evidence of any other ground for criticism of either the Committees or the Federal reserve banks.
8. It is the consensus of opinion that more participations by and commitments to financial institutions are desirable, and this can be best obtained by direct contact with the applicants and the banks. Further that the present publicity be continued within each district and that this be supplemented by publicity of a national character and that the aid of the Federal Reserve Board be solicited in this connection.
9. It is the opinion that the Reserve banks have made diligent efforts to acquaint all financing institutions, particularly member

QUESTIONS

particularly of member banks, the advantages to them of actively seeking out commercial and industrial enterprises in their territory in need of additional working capital and furnishing such capital under the protection of a commitment from the Federal reserve bank?

10. What, in your experience, has been the most important service rendered industry and commerce under Section 13b?

11. Has the administration of Section 13b to date had any effect not shown in regular

ANSWERS

banks, with the advantages to them of actively seeking out commercial and industrial enterprises in their territory in need of additional working capital and furnishing such capital by commitment from the Federal reserve banks. At the same time we submit that such efforts might well be intensified and we especially recommend to the several Reserve banks the action of the New York Reserve Bank in engaging the services of a practical and well known banker for a period of several months (the banker to be well known in the district) to visit banks and personally discuss with them and with borrowers in arrears or in temporary embarrassment the wisdom of negotiating loans under the terms of Section 13b.

10. In our opinion the most important services rendered to industry and commerce under Section 13b are (a) Accommodation to industrial and commercial enterprises that could not be obtained otherwise. (b) the stimulation of credit confidence and accommodation to industrial and commercial enterprises by other banks, many of which have changed their credit policies since the administration of Section 13b began, and (c) the enlightenment of many applicants concerning their own affairs and possibilities afforded by the expert analysis and advice of the Advisory Committees and Federal reserve officers.

11. The favorable recommendation of loans by the several Federal reserve banks has influenced many

QUESTIONS

ANSWERS

reports of Federal reserve banks on the extension of credit through regular and usual channels to industry and commerce by private financing institutions?

12. Recommendations, not covered elsewhere, on the subject of the administration of Section 13b.

local banks to take over loans, extending credit where they would not have done so otherwise.

12. It is felt wise to continue this act as an emergency measure. It will not bring back prosperity, but it will be a material help to many who cannot secure necessary capital for two to five years. This will bridge the gap where the capital market should function.

Messrs. Smythe, Burnside and Epstein were appointed as a committee to formulate a resolution for presentation at the afternoon meeting requesting that some provision be made for alternates to regular members of the Industrial Advisory Committees.

Messrs. Pouch, Sanford and Burnside were appointed as a committee to confer with members of the staff of the Federal Reserve Board for the purpose of working out plans for national publicity in connection with the activities of the Industrial Advisory Committee.

Mr. Norris and Mr. Wood were requested to prepare a resolution for the meeting tomorrow afternoon with reference to the release of October 29, 1934, of the Department of Commerce and suggesting that the Federal Reserve Board counteract in an appropriate manner and at the proper time the effects of this release, and to acquaint the public with the effective work done by the Federal Reserve System under the provisions of Section 13b, leaving it to the discretion of the Federal Reserve Board as to what action they should take.

Mr. Pouch then moved, which was duly seconded and carried unani-
mously, that the Committee express its deep appreciation for the courtesy
and entertainment shown it tonight by the Chairman.

The meeting adjourned at 12:20 a. m.

(Signed) J. E. Butterworth
Secretary.

Approved:

(Signed) A. M. Creighton
Chairman.