

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 22, 1938.

Dear Sir:

On page one of the Summary of Bank Relations Reports dated November 15, 1938 (R-343-a) there is a sentence which, through an inadvertence, implies that under existing legislation all insured banks must become members of the Federal Reserve System by 1942.

You will find attached a corrected copy of this page on which the necessary qualification, "with deposits of \$1,000,000 or more", is incorporated in the sentence in question. It is requested that this corrected page be substituted for the page originally sent you.

Very truly yours,

*Chester Morrill*

Chester Morrill,  
Secretary.

Inclosure.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

November 15, 1938.

To: The Board of Governors  
From: Mr. Hammond, Division  
of Bank Operations

Subject: Summary of Bank  
Relations Reports

Reports of bank relations as requested in the Board's letter of August 25, 1936 (X-9680) have been received for the month of October and excerpts therefrom will be found on the following pages. A table showing for all twelve banks the number of visits made, meetings attended, and addresses delivered has also been prepared and follows the quotations.

The reports reflect the difficult operating conditions with which large numbers of banks are faced - especially the small ones. Uncertainties as to the proper investment policy, slack demand for loans, and competition of government lending agencies are perhaps most frequently mentioned. The pressure to augment income by charging exchange is commented upon by several Reserve banks, and it is indicated that a very considerable number of banks feel driven to it rather than desiring it. Feeling between par and non-par banks appears to be rather strong in the St. Louis district. There is considerable interest in repealing the requirement that all insured banks with deposits of \$1,000,000 or more become members of the Federal Reserve System by 1942. In certain agricultural regions both in the east and in the west there seems to be an increased demand for loans and in the west particularly a good many banks are expecting to have to rediscount this winter. In urban and industrial regions interest in mortgages appears to be growing and banks situated where desirable mortgages are not available locally are buying them elsewhere.

There is frequent mention in the reports of abundant crops and relatively unsatisfactory prices and of the extent to which farmers are relying on government loans against their products.

Excerpts from the reports follow: (The reports themselves are attached to the original hereof).

#### BOSTON

Twenty-one member banks and one nonmember bank, all located in small communities in Massachusetts and northern Vermont and New Hampshire were visited during the latter part of October.

Most of the towns visited are retail trading centers in communities devoted principally to farming and dairying. In a few of the towns one or two small factories or mills are located manufacturing shoes, woollens or paper, and operating from four to six days a week. Retail trade was reported to be only fair.