



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

S-119  
Reg. H-13

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ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 14, 1938.

Dear Sir:

There is inclosed for your information copy of a letter which is today being sent to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, advising him that a State member bank which desires to engage in the small loan business will not be required to obtain the permission of the Board under the general condition of membership.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,  
Secretary.

Inclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

October 14, 1933.

Mr. M. J. Fleming, President,  
Federal Reserve Bank of Cleveland,  
Cleveland, Ohio.

Dear Mr. Fleming:

Reference is made to Mr. \_\_\_\_\_'s letter of September 30, 1933, advising that The \_\_\_\_\_ Savings & Trust Company, \_\_\_\_\_, \_\_\_\_\_, proposes to amend its articles of incorporation so as to permit the bank to engage in "special plan banking" and recommending that the Board approve the proposal under the provisions of the general condition of membership to which the bank is subject, which provides that, except with the permission of the Board, the bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership. According to Mr. \_\_\_\_\_'s letter "special plan banking" is the term used by the (State) Statutes for small loan business and it is noted that the banking laws of that State permit banks upon suitable amendments to their articles of incorporation to establish departments for the transaction of business of this type.

The Banking Act of 1933 made Morris Plan banks and other incorporated banking institutions engaged in similar business eligible for membership in the System and during recent years commercial banks to a noticeable extent have broadened their activities to include the making of small or personal type loans, and have established separate departments to facilitate the functioning of such business. While such extension of activities may to some extent constitute a change in the general character of the bank's business and in some cases, at least, involve a change in the scope of the corporate powers exercised by the bank, the change is not felt to be such as would come within the intent of the general condition of membership.

Accordingly, banks desiring to engage in such activity will not be required to obtain the permission of the Board under the general condition of membership. It is assumed, of course, that in such cases any necessary approval of the State authorities will be obtained and that the business will be conducted in strict accordance with the applicable State laws.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.