



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-415

78

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 1, 1939.

Dear Sir:

There is enclosed for your information a summary of the bank relations reports submitted by the Federal Reserve banks for the month of January, 1939, in response to the Board's letter of August 25, 1936 (X-9680).

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

R-415-a

February 24, 1939

TO The Board of Governors SUBJECT: Summary of Bank Relations Reports

FROM Mr. Hammond, Division of Bank Operations

Reports of bank relations as requested in the Board's letter of August 25, 1936 (X-9680) have been received for the month of January 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.

Besides comment upon the credit and earnings situation, which on the whole remains the same, the reports contain numerous items of special interest, such as the following:

Industrial banks in Brooklyn complain of the competition of commercial banks for co-maker and other personal loans.

A good many banks which have been buying insured mortgages on property in distant communities appear to be growing apprehensive because the servicing of such mortgages must be left in outside hands.

A bill has been introduced in the Iowa legislature which would require that checks drawn on State banks be cleared at par.

Some country banks in the west are having difficulty in adjusting themselves to the provisions of the Wages and Hours law, the disposition being to shorten working hours rather than increase costs.

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

BOSTON

Boston reported no visits were made to banks in January.

NEW YORKBronx, Kings, Queens, and Richmond Counties

A number of savings bankers report that the amount of new mortgages taken in 1938 has not been sufficient in volume to offset the repayment or amortization of existing mortgages, with the result that some of the present mortgage accounts show a net decrease during the past year. It is also said that the arrearages in taxes and interest are decreasing and that foreclosures have lessened to a considerable extent. The amount of real estate held by the savings and commercial banks combined is not large in proportion to their total deposits, and several bankers comment that they have been able to dispose of considerable other real estate during the past several months. Until recently the managements of many savings institutions have been rather lenient in bringing about foreclosures, but several bankers indicate that they are now adopting a more drastic attitude on delinquencies because of the improved condition of their mortgage accounts and of other real estate owned.

The three independent industrial banks located in Brooklyn grant loans predominantly on a co-maker basis, although it is said that many are secured by additional collateral consisting of life insurance policies, assignments of rents, chattel mortgages, etc. Ordinarily the rate charged is 6 per cent plus a service charge as permitted by law. The officers of these institutions, however, complain that most of the commercial banks and branch bank offices in their section are competing in the personal loan field and that some of the larger banks are making loans of this type at rates as low as 3-1/4 per cent. The presidents of all three banks comment that the losses taken by their institutions during the last several years have been negligible, being only a small fraction of 1 per cent. One of these bankers expressed the opinion that the customers' paper handled by his bank is of better quality than that in the portfolios of a majority of the commercial banks, and that the loss on the type of earning assets handled by his and other industrial and Morris Plan banks was less throughout the depression period than was the case with many other forms of bank credit.

Officers of one of these industrial banks (capital funds \$491,000 and deposits \$960,000) expressed an interest in membership in the System and indicated a desire to call at our bank at an early date to discuss the subject with our officers.

Delaware and Otsego Counties

Loans and discounts aggregate \$11,075,000 showing a net decrease of \$225,000 since our last visit although seventeen of the

twenty-six banks showed a slight increase. The present demand for credit is chiefly from school districts and municipalities. Some bankers point out that their loan portfolios have shown a downward trend over a period of several years although efforts have been made to expand loans through the financing of automobile sales and granting of personal loans. One bank has maintained a satisfactory total through soliciting loans under Title I of the National Housing Act for enlarging or building new silos to care for a bumper corn crop. There have been few Federal Housing Administration mortgages granted in these counties but several banks have purchased such insured mortgages from outside sources and a few others are considering similar purchases. A 6 per cent rate is obtained quite generally on all loans excepting those to school districts and municipalities, on which the rates vary from 3-1/2 to 5 per cent. In connection with the latter loan rates numerous bankers mention that they have been required to lower their rates as a result of active solicitation of this class of loans by the banks in Albany which quoted a 3 per cent rate.

Erie and Niagara Counties (Buffalo Branch Territory)

Officers of banks, especially in the rural sections, report earnings for 1938 as fairly satisfactory, although in a number of instances charge-offs materially reduced the net profits. The banks in general, particularly the larger institutions, continue to carry cash well in excess of their requirements, and a number of bank officers comment on the problem which confronts them in attempting to convert these funds into earning assets. In some instances funds have been placed in call loans on which a return of 1/2 per cent is received. Some commercial paper has recently been purchased by a number of the banks on which a return of 5/8 to 3/4 per cent is reported.

During the visits with the officers of member banks, the subject of check collections was discussed and several suggestions were made which will save time in the preparation of their cash letters. The officers of a number of state member banks commented favorably about the new ruling of the Board which will become effective at the next call date with respect to discontinuing the duplicate publications of the reports of condition.

In the eight counties visited, there are eighty-four commercial banks, sixty-eight of which have issued preferred stock, capital notes or debentures aggregating \$25,745,000 par value. Up to the present time twenty-two have paid off their entire issues amounting to \$14,540,000, thirty-three have made partial redemptions aggregating \$2,343,767 and thirteen have not retired any - leaving

forty-six banks with a total still outstanding of \$8,861,233 par value, retirable at \$9,201,233, reflecting a redemption premium of \$340,000.

PHILADELPHIA

The area (northeastern Pennsylvania) covered by this report depends upon agriculture, industry, and mining. Conditions in the several communities vary from poor to fair, farming sections showing a greater stability because of the year-round income from dairying, the most important phase of agriculture. In most farming communities crop yields were said to have been good during 1938, but prices received were too low to afford satisfactory profits.

Three major railroads, the Lehigh Valley, the Erie, and the Delaware Lackawanna and Western, have shops and yards at various cities in this area which when working steadily contribute much to the prosperity of the respective cities. Reduced activities at these shops have been a severe blow to the two smaller communities and have contributed to the unemployment situation in Scranton, the largest city in the area covered. Railroad activity depends to a large extent upon the output of coal and greater operation of the mines will result in increased employment for railroad workers.

Extraction of coal is at a low point for this season of the year. The larger mines are nearly all on a part time schedule. The independent operators, however, are working fairly well, but they employ only a small proportion of the available miners. The recent cold weather has caused some increase in mine operation and a sustained period of similar weather will greatly benefit the anthracite field.

Manufacturing activity appears to have increased somewhat since July and because of this, better conditions prevail in many communities.

Total resources of all banks visited show an increase of about \$2,750,000 since July. These banks, particularly those in strictly farming or residential communities, have a preponderance of savings deposits, the total of such deposits aggregating about 70 per cent of all deposits.

While most of the banks charge 6 per cent for loans, there is ample mortgage money available at 5 per cent and many banks will grant loans at less than 6 per cent where the risk warrants.

The real estate market continues in the doldrums. In several of the smaller communities rentals nearly exhaust the supply

of available houses but such a condition has not stimulated new construction.

A concerted effort was made to induce bankers to make greater use of the services of the reserve bank, particularly for the collection of checks, but even though they were offered the opportunity of forwarding checks to us under two availabilities, little more than passing interest could be aroused. Long established correspondent relationships and a disinclination to defer availability are the reasons most frequently given for not making changes in present methods. Many bankers consider the keeping of transit and deferred credit accounts to be a "bother". They contend that they get as good service sending all, or at least the deferred items, to correspondents and taking credit in the correspondent account immediately.

CLEVELAND

The rate of interest which member banks may pay on time and savings deposits appears to be a matter of increasing importance to banks, most of whom feel that current rates (2 to 2-1/2 per cent) are too high in view of the inability to lend funds and the low coupon rate on bonds. In numerous communities, and sometimes in entire counties, action looking to lower rates is blocked by one institution which refuses to lower the rate, with the result that the other banks are "bluffed" into maintaining a rate which admittedly they cannot afford to pay. This is in spite of experiences in many communities where similar conditions have existed and the majority of banks reduced rates without appreciable loss, and in some cases no loss of deposit accounts. Also, as usual in such cases, bankers are hopeful that the Board of Governors will by regulation require banks to do that which they themselves lack the courage to do.

A dearth of local loans and unsatisfactory investment yields is encouraging many banks to invest in insured F.H.A. mortgages at points, in some cases, hundreds of miles away from the location of the bank. An increasing number appears to be more and more apprehensive of the desirability of this practice in view of the fact that the servicing of such mortgages is in outside hands.

In cases where the question has been raised we have suggested to member banks that the responsibility of the servicing agent is a factor worthy of most careful consideration before investment in out-of-town loans, particularly if the mortgages thus acquired are on properties some distance away.

This emphasizes the difficulty which many country banks are today experiencing in their desperate attempts to make earnings. Country banks cannot remain highly liquid and continue to exist.

A number of the smaller industrial towns in the east central portions of the State of Ohio are faced with serious problems in the shut-down of local mills resulting from what appears to be a tendency of a number of the larger industrial units to centralize their operations in larger and more economical modern plants. The problem is a serious one particularly to banks which have substantial amounts invested in local mortgages on properties of employees of these mills.

Despite a vigorous campaign by the Ohio Bankers Association for the inauguration of service charges on commercial accounts as a means of providing needed revenue, banks in not more than about half the counties in the State are today levying service charges. It is noticeable that a lack of disposition to install service charges appears to center in the same sections that are fearful of reducing interest rates.

Bankers in some communities are beginning to see the light in the matter of reducing the going rate on loans. One bank in the State of Kentucky has recently increased its loans from \$310,000 to \$423,000, which they attribute largely to reduction in the rate from six to five per centum.

There appears to be a greater degree of interest in membership on the part of banks visited during the month of January than has been true for some time. The principal deterrent in the State of Kentucky is that membership would increase reserve requirements since under the terms of the Kentucky law reserves required to be maintained by Kentucky State banks were the same as the reserve requirements of member banks immediately prior to the passage of the Banking Act of 1935. In other cases "other real estate" is the principal stumbling block.

RICHMONDSouthern Maryland

Banks in Charles, St. Mary's, and Prince George's Counties report, with one exception, but slight expansion of loans and of deposits. In an effort to expand earning assets banks have recently shown an increased, if belated, interest in FHA loans. While banks in other and adjacent counties entered this field earlier and secured the more desirable loans, the banks in these counties feel that desirable loans are still sufficiently available to justify their undertaking this type of credit operations. One bank, which entered the field more than a year ago, has financed approximately \$1,000,000 of FHA mortgages. Of this aggregate the proportion retained exceeded the legal limits, but the bank had no difficulty in disposing of the excess at a premium of two points.

Even though there has been a decline of earnings because of the reduction of corporate issues in bank portfolios, bankers do not seem to be pessimistic about earnings. The larger earnings of former times were largely absorbed by losses experienced with corporate bonds. Bankers now feel that adequately secured assets, even though earning less, are to be preferred to the former state of things. Local loans are made at 6 per cent and there is firm opposition to any reduction. In certain instances mortgage loans have been made at 5 per cent. The rate on time deposits is 2 per cent and this is generally the case where the loan rate is maintained at 6 per cent.

Baltimore

Banks are placing new emphasis on the expansion of mortgage loans. To this end, terms with respect to both rates and maturities have been made more liberal, although the valuation process is not as broad as that of FHA. Savings banks have long regarded mortgage loans, particularly those on residential property, as one of their distinctive functions. For that reason they do not look with much favor on loans made under the FHA plan. Such loans are considered likely to lead to over-expansion of credit, thus producing a condition which mutual savings banks view with much disfavor. Rates on mortgages range from 4 per cent to 6, with the bulk at 5.

Eastern North Carolina

Bankers in Edgecombe, Wilson, Johnston, Harnett, and Robeson Counties seemed to think that tobacco acreage will be increased from 15 to 20 per cent this year. Although some of those interviewed dislike crop control as a principle, every one thought the farmers made a mistake in voting against tobacco control just after it had proved successful in 1938. It was thought that a large part of the vote against control

was contributed by small farmers who wanted to plant a few more acres.

Central South Carolina

Banks in Lee, Darlington, Sumter, Kershaw, and Clarendon Counties experienced a tendency for deposits to increase, for loans to decrease, and for investments to increase in 1938 relative to 1937. There is no disposition on the part of banks to encourage the growth of time deposits and few banks pay as much as 2 per cent on balances, regardless of amount. Loans on cotton with commitments from the Commodity Credit Corporation are considered very desirable but, like other desirable loans, are difficult to obtain in this section. Hence, there is much uneasiness among bankers with respect to the prospects for earnings. On the whole, banks show a reluctance to meet the competition of Federal credit agencies by lowering interest rates, for the latter tend to hover around 6 and 7 per cent, with but few rates as low as 4 or 5.

It is difficult to appraise the outlook for economic conditions in South Carolina in 1939. It is true that there is much distress among planters because of the pressure to shift from a highly developed one-crop type of agriculture to a more diversified agriculture in a relatively short time. It is also true that most textile manufactures have not been able to operate profitably and, with textile prices at present levels, inventories tend to accumulate. Unless this situation improves there will be less absorption of the unemployed released by farms rather than more.

Another factor that must be taken into account is the outlook for tobacco. Crop control for the latter was rejected at the referendum, and it is believed that the small farmers, desirous of expanding their acreage, were responsible for this. It is also believed that more tobacco will be planted in 1939, but there is much difference of opinion as to the effect on prices. However, it is generally believed that prices are likely to fall much below the 1938 level.

ATLANTA

Birmingham, Alabama

During the month of January visits were made to the member banks in Birmingham, Alabama. The president of one of the Birmingham banks reported a fairly satisfactory business activity in the Birmingham area, stating, however, that the activity far outruns the profits in most lines of business. According to this banker, the extent to which the disbursement of Federal funds, or the lending of Federal funds, is responsible directly or indirectly for the increased activity lends much uncertainty to an appraisal of the current situation. Deposits

have considerably increased; there is a little greater demand for money, and the banks are to a limited extent becoming educated in the direction of adding to their portfolios what are called, for the want of a better term, amortized loans. In the opinion of this banker this field offers possibilities for increasing the volume of loans during 1939.

Southeastern Louisiana

A representative of the New Orleans Branch visited three member banks and four nonmember banks which comprise the membership of the Southeastern Louisiana Clearing House Association. The bankers interviewed appeared to be satisfied with the progress made by their institutions during the year 1938 and, in view of the present prospects, were found to be enthusiastic for the future. They appeared to be aggressive and anxious to take advantage of every opportunity to make loans wherever repayment might be reasonably assured. The members of the Southeastern Louisiana Clearing House Association are considering the adoption of a standard schedule of service charges. The service charges now in effect are fixed by each bank individually, and although moderate, have supplemented the earnings of the banks to a material extent.

CHICAGO

The bankers' associations of Illinois, Michigan, and Wisconsin held their mid-winter meetings in January. The principal talks and discussions centered about legislative programs, public relations, and fields for new loans with particular reference to personal and F.H.A. loans.

Favorable comment was made by a number of banks as a result of the newspaper release relative to the introduction of a bill by Senator Gillette which would place National banks on an equal footing with State banks in so far as the establishment of branches is concerned.

In the Iowa State Legislature, a bill has been introduced which would provide that checks drawn on any State bank must be cleared at par by the bank on which they are drawn. Violation of the provision would be deemed a misdemeanor punishable by a fine of from \$10 to \$100. The bill would be effective immediately upon enactment and publication.

The following resolution has been approved by a number of the County Farm Bureaus in Iowa, and we are informed was recently adopted by the Iowa State Farm Bureau:

"We believe that the present confused system of

Federal examination of banking can be improved and the whole credit structure be made much more efficient by consolidation of the powers and duties of bank examination on the part of national agencies in a single one and that that agency should be the one having rediscount power."

Reports from bankers at La Porte and Gary, Indiana, indicate an improved employment situation. At La Porte, a large farm implement manufacturer is increasing the number of employees due to larger production. At Gary, the prospects are that the steel mills will be taking on another 3,500 men in the course of the next few weeks.

No particular criticism has been heard. However, in discussing membership with the officers of one large bank, the Cashier stated that both he and the President were in favor of joining the System, but that several of their outstanding directors who are prominent business men have taken a very definite stand against it, because of their experience in their own businesses, in which they have been severely handicapped by the multiplicity of reports required by Government agencies, and they believe that membership of the bank in the System would entail more work for the bank in preparing reports.

ST. LOUIS

During the month our officers and field representative visited 89 banks in Arkansas, 11 in Missouri, and 4 in Illinois.

The area visited is principally devoted to agricultural pursuits, though containing a broad variety of other activities, including oil production, lumber, mining and manufacturing. The principal crop is cotton. Results to producers of this staple in 1938 were as a whole unsatisfactory, owing to smaller acreage, and the low level of prices prevailing throughout the season. Many farmers endeavored to augment their incomes by raising other crops, but their incomes fell measurably below those of the preceding year. Some bankers and merchants are dubious as to the outcome of cotton in 1939, owing principally to the enormous carry over.

There has been a notable increase in raising and conditioning livestock for market. There has also been considerable expansion in milk production for sale to dairies, and in production of poultry and eggs. These operations have proved fairly profitable, and furnish an outlet for large quantities of corn and other feed supplies. Large quantities of corn are going into the Government corn loan in surplus producing sections.

Despite the low level of prices of farm products and other discouragements, the morale of the farming communities as a whole is

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fairly good, and farmers are preparing for next season with some degree of optimism. It is evident that diversification will be practiced to a greater extent than heretofore. In some counties in Arkansas and Southern Missouri experiments are being made with soy beans, which have proved profitable for soil building and as a revenue producer in Illinois and elsewhere. Smaller acreages will permit of more intensive cultivation and increased use of fertilizers, which, according to one banker, will defeat the smaller output program by heavier yields per acre.

Fruit culture is important in northern Arkansas, but due to unfavorable marketing conditions, lack of facilities and partial failures occasioned by weather and insect pests, results were decidedly disappointing in 1938. The mild winter has been beneficial to orchards, which are for the most part in excellent condition. Acreage of strawberries, an important cash crop, will be increased over last year, when plants were badly damaged by freezing.

Trade and industrial conditions in the territory covered are somewhat spotty and uneven, but on the whole gratifying. Marked betterment took place during the last half of 1938, and in January this year the situation as a whole shows decided improvement as contrasted with the same month in the preceding year. Reports relative to holiday retail business indicate volumes for the most part up to expectations. During the past several months, industrial operations have been helped by the settlement of a number of scattered and isolated strikes.

As a whole, deposits of banks in the area covered increased during 1938. Mindful of past regrettable experience, many banks, particularly small country banks, have a distinct aversion to investments in corporation bonds, and are confining their purchases to Government, Government agency and State and municipal issues. Commodity Credit Corporation and FHA notes are looked upon with quite general favor. A very considerable part of the earnings of nonmember country banks was derived from service charges and exchange on checks.

Demand for crop production loans was somewhat better in 1938 than a year earlier, but withal by no means good. Outlook for such loans in 1939, according to a number of bankers interviewed, is definitely better than early in 1938. There are general complaints of competition of Government agencies in securing production loans and other agricultural business. Throughout the present season there has been an excellent demand for funds to purchase livestock and to condition cattle and hogs for market. Bankers are disposed to encourage in every way possible the purchase of farm animals and feeding operations.

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Favorable comment has been received from officers of both member and nonmember banks concerning two radio broadcasts regarding the Federal Reserve System. They were in the form of interviews of officers of this bank by State directors of the National Emergency Council. Circular letters announcing the broadcasts were mailed to all banks and to others in this district who might be interested. On January 19, over Station WHAS at Louisville, Kentucky, Frank D. Rash, Managing Director of our Louisville branch, was interviewed, and on January 26, Wm. McC. Martin, President of this bank, was interviewed over Station WIL at St. Louis. Copies of the script used were requested by several bank officers, as well as the Editor of Banking, the journal of A. B. A.

MINNEAPOLIS

Banks in Minnesota, in lieu of so-called group meetings which were heretofore held semi-annually, are holding regional clearing house meetings quarterly. These meetings are strictly business sessions, except one, when invitations are extended to Twin City correspondent banks. It is felt that closer cooperation on service charges, interest rates, etc., will develop from these informal gatherings. Attendance at several of these business sessions during the past few months disclosed the fact that the principal topic of conversation is the Wage and Hour Law. This law has definitely changed the small country bank's opening and closing hour to 9:00 in the morning and 3:00 in the afternoon. This legislation, however, has not resulted in any increased bank employment.

In discussing membership with a non-par State bank, which is considering coming into the System, a most interesting slant was given by its executive officer, who said in part:

"If I become a State member bank, I shall be deprived of some earnings through membership because of loss of exchange revenue. Nevertheless I would consider the revenue which I would lose equivalent to a premium on an insurance policy issued by the Reserve bank, the terms of which would provide that if I continue to operate my bank on a sound basis, every asset in an emergency could be converted immediately into cash."

Mid-winter Conference, Wisconsin Bankers' Assn., Milwaukee, January 23-25, 1939.

Six hundred and fifteen bankers were registered and over seven hundred attended the banquet.

The cashier of a National bank urged country bankers to be more fearless in making chattel mortgage loans on dairy cattle. He recommended the installment method of payment with cream check assignment, and stated that his bank had had no loss in this class of business. He appraises dairy cattle at \$50 a head and horses at \$75 a head, and plans on not lending more than 50 per cent of the appraised values. He stated that a banker should be as much criticized by his stockholders for the hidden loss due to leaving an excessive amount of cash idle and sacrificing the interest income as he would be criticized for taking losses on loans or investments.

The new policy of the Federal Land Bank of St. Paul to press more actively for the sale of its lands in northwestern Wisconsin at sacrifice prices is causing a great deal of bitterness among the bankers of those counties, who claim that land values and the morale of mortgagors are being destroyed by this policy.

It was reported that one nonmember bank in this district would very much like to join the System, but is prevented from doing so because it is operating a filling station branch, and is not large enough to comply with the \$500,000 capital section of the Law governing Federal Reserve membership with branches. Filling station branches were discussed with several bankers. It seems to be the general opinion that it is a mistake to establish filling station branches in most instances, since the same amount of deposits could be secured without them, but that, having established the branches, it would be most difficult to discontinue them on account of the adverse public reaction in the affected communities.

KANSAS CITY

About 110 visits were made to banks in January and these visits brought to light a great variety of conditions. Some banks are operating very profitably while others are not; some report a rather brisk demand for loans but in other communities there is no local outlet for surplus funds. Business and farm conditions are badly spotted with the result that some bankers are hopeful while many are not.

Quite a little interest was found in the question of membership. There are a number of banks that will likely apply for membership in the near future and a much larger number that seem definitely interested but will wait on account of various matters. A few small banks think they should be permitted membership with their present capital. Others believe that present reserve requirements are too high for country banks. These banks take the position that the problem of excess reserves is one having to do with financial centers and that a policy of manipulating reserves should be more flexible. In other cases eligible banks feel that city correspondents serve their present needs.

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A rather active demand is reported for loans to buy livestock. This is especially true of cattle as there is an enormous amount of pasture feed going to waste. The general opinion is that there has been a marked increase in the number of hogs and cattle, although it will be a few days yet before the figures of the Department of Agriculture for livestock numbers on farms are available to confirm these impressions. Bankers are actively encouraging more livestock and row crops and less wheat. At the same time it is realized that prices are relatively high and that more livestock will probably bring lower prices.

Nebraska bankers are especially active in regard to livestock. The executive committee of the State Bankers' Association has endorsed a recommendation that banks make "full value" loans for the purpose of buying breeding animals. A poll of the membership of the Association is also being made to obtain a decision on a proposal to form a special corporation to make loans in cases where banks cannot function effectively. A proposal has also been made that each bank contribute \$100 to a revolving fund for some such purpose. There is a disposition on the part of some, however, to make haste slowly. There is some fear that "too vigorous a campaign might result in an overstuffed hog population in the state at the bottom of a price cycle." The opinion is general also that if there was any assurance that Nebraska would have a good corn crop next season, ample funds would be available for all competent farmers.

There continues to be much grumbling about the competition of Governmental lending agencies. In many communities it is said some of these agencies are especially aggressive in actively soliciting loans. A good many banks appear to be meeting this competition with a reasonable degree of success while others are not. This competition, in conjunction with the tendency of interest rates to approach the vanishing point, is causing much concern as to the future of the small bank. Bankers are also wondering about Government bonds. Some of them tend to look upon their investment in Government bonds as virtually a frozen asset.

In many country banks deposits appear to be slowly declining. A few banks are increasing their commitments in FHA loans and are enthusiastic about them. A good many machinery and implement loans are being carried over due to the poor wheat crop and low prices. One bank that has pushed automobile loans for fourteen years reports losses of only \$300 in that time.

There is much dissatisfaction with the oil restriction program in Kansas. For instance, one new well that has a daily capacity of 1,200 barrels is permitted to produce only 21 barrels a day. In many cases the proration quota is only one-half of one per cent of the

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potential. In parts of Kansas where there was a big oil play last year it is reported that some of the large oil companies are forfeiting leases through nonpayment of rentals.

The wage and hour law is giving some banks trouble. In most instances the period that banks are open is being shortened. In some cases country banks are now closed from 12 to 1:30 o'clock. There is some discussion of the feasibility of closing for a half day near the middle of the week. The disposition is universal to restrict service to the public rather than permit the law to increase costs of operation.

DALLAS

Banks visited in January included eighteen member banks and three nonmembers located in four counties of South-Central Texas, where cotton farming and stock farming are the predominant activities.

Deposits of the visited banks are at a seasonal peak and their loans are at the usual seasonal "lows". A small cotton crop was produced last year, but favorable weather conditions resulted in a heavy production of other crops, particularly feedstuffs, and as a result the farms are well supplied with feed for the current year, which assures the production of the 1939 cotton crop at a minimum of expense and borrowed money.

The abundant supply of feed on hand and the recent distribution of AAA subsidies among the farmers presage a more moderate demand for loans this year. In this area, as well as elsewhere throughout the district, banks are turning to the field of consumer credit for the purpose of augmenting earnings.

They were unable to offer any ideas as to how the Federal Reserve System could broaden or improve its services to member banks. The president of one country bank having deposits of \$400,000 stated that he doubted the wisdom of resuming our former custom of holding annual meetings of our stockholders. He said that the purposes which such meetings were designed to accomplish could be more effectively achieved through the medium of the individual visitations of member institutions by our officers, such as we are now making as a regular practice.

One of the nonmember banks visited by our representative has a membership application now pending. Although the other two nonmember banks contacted by our officers displayed a cordial attitude, they seemed disinclined to discuss the reasons why they have not applied for admission to the System. The president of one of them remarked that his bank would probably be compelled to seek membership in 1941

under the present provisions of deposit insurance laws. It is believed that action on the part of this particular nonmember toward affiliating with the System is being deferred pending a further improvement in its asset position.

No comments or criticisms of general interest were offered by the interviewed banks except occasional expressions of disapproval of the Patman Bill and of the continued heavy expenditures of the various relief agencies.

SAN FRANCISCO

San Francisco reported only a few bank visits in January and little comment upon them.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

JANUARY - 1939

Federal Reserve Bank	Visits to Banks			Meetings attended		Addresses made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	--	--	--	3	<u>1/</u>	<u>2/</u> 3	563
New York	82	61	143	11	3,227	1	45
Philadelphia	58	18	76	--	--	1	45
Cleveland	41	21	62	5	986	1	80
Richmond	39	25	64	7	1,941	1	26
Atlanta	12	4	16	1	160	--	--
Chicago	6	4	10	4	1,842	1	100
St. Louis	29	75	104	1	700	2	Broadcast
Minneapolis	18	12	30	5	1,786	1	32
Kansas City	30	79	109	5	995	4	930
Dallas	19	3	22	1	160	1	26
San Francisco	6	1	7	12	648	2	Broadcast

1/ Attendance not reported.2/ Including one broadcast.