

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, August 26, 1941, at 11:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Draper

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum dated August 20, 1941, from Mr. Nelson, Assistant Secretary, recommending that the salaries of Misses Mildred Crews and Annie-Arden Ball, stenographers in the Secretary's Office be increased from \$1,620 to \$1,740 per annum, effective as of September 1, 1941.

Approved unanimously.

Letter to Mr. Rounds, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of your Bank as requested in your letter of August 21, 1941."

Approved unanimously.

Letter to the board of directors of "The First State Bank of Decatur Michigan", Decatur, Michigan, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

8/26/41

-2-

Approved unanimously for transmission through the Federal Reserve Bank of Chicago.

Letter to Mr. Fry, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"This refers to your letter of July 21, 1941, with regard to the relationships between the Guilford National Bank, of Greensboro, North Carolina, and the Jefferson Standard Life Insurance Company and the Pilot Life Insurance Company, both of that place.

"As you know from your conversation with Mr. Wingfield, this matter has been discussed informally with a representative of the office of the Comptroller of the Currency. It appears that that office has taken the position that an affiliate relationship exists and has given consideration to a plan proposed by the bank to terminate such affiliate relationship. In these circumstances, and also in view of the fact that the bank involved is a national bank which is under the primary supervision of the Comptroller of the Currency, it does not appear necessary for the Board to take any further action in the matter."

Approved unanimously.

Letter to the "First National Bank of Joplin", Joplin, Missouri, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Missouri, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation

8/26/41

-3-

"of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to the Chairmen and Presidents of all of the Federal Reserve Banks reading as follows:

"As you are aware Regulation W, concerning consumer credit, will become effective September 1 with the exception of certain provisions which will become effective at later dates. In view of the major importance of this regulation and its widespread impact upon the economy, the Board feels that it is imperative that immediate steps be taken to assure its effective administration.

"If the System is to play an increasingly useful part in the defense program it must demonstrate its ability in the present instance. If it fails to do so it may expect a gradually declining role in the national picture.

"The administration of this regulation is the task primarily of the twelve Banks and their twenty-four Branches. It was in part because of the availability of this setup for nationwide decentralization that the System was chosen for this vital task in the defense program. Effective administration must largely stand or fall on the efforts of this system, coordinated through the Board in Washington. It is essential therefore that immediate steps be taken in each Reserve Bank and Branch to set up the most competent administrative staff obtainable.

"The job is a big one. It demands the personal attention of the Board of Directors and of the President of each Bank. The success of administration will depend largely upon the individual placed in charge at each Reserve Bank and Branch. It is essential that an aggressive and highly competent person be chosen for this position. He should be thoroughly familiar with the field covered by the regulation and he should have capacity for handling successfully the public relations aspects of the program. Especially during the early period of its application, this second aspect of the regulation's administration will be perhaps as important as the first. It is strongly urged that in public relations repeated stress be laid on the basic purposes of the Executive Order and the regulation in order that both the trade and the public will understand the necessity for the regulatory actions of the Federal Reserve authorities.

8/26/41

-4-

"In most cases it will probably be found necessary to obtain some technical personnel from outside the Banks in order to build up a staff adequate to administer the regulation effectively, and it is urged that there be no hesitation in taking this step where necessary. Persons intimately acquainted with the fields of automobile financing, household equipment financing, the business of selling furniture on an instalment basis, small loan practices, and so on, will be required if the Banks and their Branches are adequately to meet the problems ahead of them. The Board expects to add a few such specialists to its own staff as soon as possible.

"The Board is making every effort to deal promptly with such inquiries as may be submitted to it but it is hoped that a majority of the inquiries received in connection with the regulation can be handled in the first instance by the Banks and their Branches. For the assistance of the Banks and their Branches, however, the Board will undertake promptly to advise all Federal Reserve Banks of any interpretations and other decisions that it may make from time to time.

"It is expected that within a short time members of the Board's staff who have been associated intimately with the development of the regulation will visit the Reserve Banks and their Branches to give such assistance as they can in dealing with problems arising out of its administration. Since it is essential that administration be uniform over the entire country it is hoped that a conference of the officials in charge of administration in the various districts may be arranged after some experience has been obtained to serve as a basis for discussion. With the same purpose in view administrative officials of the Reserve Banks and their Branches should feel free at all times to submit to the Board or its staff questions or suggestions which will lead to a more effective administration of the regulation.

"The Board will appreciate being advised by wire the name of the officer at your head office and at each branch who will be in charge of the administration of Regulation W."

Approved unanimously.

Telegram to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference inquiry received by you from department store under Regulation W regarding coupons sold to customers. Coupons serve as money within the store and are sold on an instalment

8/26/41

-5-

"basis with maturity shorter than prescribed in Regulation but down payments are smaller than required by the Regulation.

"Inquiry is whether coupons purchased for 10 percent down and 8 months to pay may be used for purchase of vacuum cleaner requiring 20 percent down payment.

"Board agrees with you that for purposes of applying Regulation W face value of coupon is not material but that consideration should be given only to amount of money actually paid by purchaser.

"Accordingly sale of vacuum cleaner would not comply with Regulation if sufficient money to constitute required down payment had not been paid before sale, whether money was paid for coupons or otherwise."

Approved unanimously.

Letter to Mr. Crane, Assistant Coordinator of the Division of Defense Housing Coordination, reading as follows:

"Your correspondence with Mr. Clayton in regard to the draft of a letter which might be sent by your office to banks in regard to inquiries concerning living accommodations has been brought to the attention of the Board. The Board will be glad either to furnish you with its mailing list of member and nonmember banks or to addressograph the envelopes in which you propose to mail the letter, if you desire."

Approved unanimously.

Thereupon the meeting adjourned.

Wesley Morrie
Secretary.

Approved:

Wenatche
Vice Chairman.