

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, September 25, 1941, at 11:30 a.m.

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

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

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on September 24, 1941, were approved unanimously.

Memorandum dated September 20, 1941, from Mr. Nelson, Assistant Secretary recommending (1) that the resignations submitted by Leon F. Herbert and James F. Latham, elevator operators, be accepted as of the close of business on September 22 and 27, 1941, respectively; and (2) that Harry L. Edwards and George B. Newell be appointed on a temporary basis for an indefinite period as elevator operators in the Building Operations and Maintenance Section of the Secretary's Office, each with salary at the rate of \$1,200 per annum, effective as of the respective dates upon which they enter upon the performance of their duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

9/25/41

-2-

Memorandum dated September 22, 1941, from Mr. Nelson, Assistant Secretary, recommending that, in view of the pending resignation of Miss Lois W. Jones as nurse in charge of the Emergency Room, Miss Mary Callie Wickline, substitute nurse, be appointed to the position of nurse with salary at the rate of \$1,800 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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

"In connection with my letter of August 29 to Mr. Robert L. Mehornay in regard to his invitation to Mr. Milford to join the Defense Contract Service, a copy of which I sent to you, I am now in receipt of a letter from Mr. Mehornay reading as follows:

'Feeling that the matter of my letter to you of August 28th and your reply of August 29th relative to Mr. Milford had better be in your hands exclusively, I am taking the liberty of sending to you all copies of my letter of August 28th and the original of your letter to me of August 29th.

'The above in no way detracts from my sincere appreciation of this and the many other courtesies extended me by the Federal Reserve System.'

"In view of this communication and of the replacement of the Defense Contract Service by the Division of Contract Distribution, it is assumed that the proposed arrangement with Mr. Milford is automatically at an end unless and until there should be a new request for Mr. Milford's services."

Approved unanimously.

9/25/41

-3-

Telegram to the Presidents of all of the Federal Reserve Banks
reading as follows:

"Reg. W-82. The classification 'new household furniture' includes a prefabricated fireplace, sold as a complete unit, that is decorative only and not usable for heating purposes."

Approved unanimously.

Letter to Mr. Hult, Assistant Cashier of the Federal Reserve
Bank of Boston, reading as follows:

"Reference is made to your letter of September 17, 1941, regarding the question whether the 18 months' maturity limitation provided by section 5(b) of Regulation W applies to instalment loans of less than \$1,000 which are made for the purpose of purchasing or carrying homes or for the purpose of building small low-cost homes.

"The Board agrees with your conclusion that both the loans of this type referred to in your letter are subject to the limitations of section 5(b). However, the general subject of such real estate loans is under consideration with the thought that certain amendments to the regulation might be desirable, and the Board would be glad to have any suggestions you might care to make in this connection."

Approved unanimously.

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

"Reference is made to your letter of September 10, 1941, in which you quoted a letter from The First Bancredit Corporation regarding Regulation W.

"The inquiry involves a 'Class 2 loan' under Title I of the National Housing Act, and it is understood that such 'Class 2' credits relate only to new structures. While the credit is called a loan for the purposes of

9/25/41

-4-

"that Act, it is understood that the present question relates to a credit which is extended by a builder or materialman in connection with the sale of the product. Hence the credit would be sale credit rather than loan credit for the purposes of Regulation W. It is understood further that the credit does not involve any article in Groups A, B, C or D of the Supplement.

"Since Group E, the only other classification of sale credit into which the transaction might fall, applies only to materials and services in connection with existing structures, the credit in question would not be subject to the requirements of the Regulation."

Approved unanimously.

Letter to Mr. Joseph R. Bryson, House of Representatives, reading as follows:

"Further reference is made to your memorandum of September 19, receipt of which was acknowledged on September 22 by Governor Ransom, in which you referred to us a letter addressed to you on September 16 by the Ramseur Roofing Company, Greenville, South Carolina, with regard to the regulation of instalment credit.

"The Ramseur Roofing Company telegraphed the Board of Governors on September 11, asking how the 'new FHA Title I regulation affects the yearly payment contracts for farmers on repairs and roofing materials' and whether they might be 'curtailed over a three-year period'. It was not altogether clear from this telegram what was meant, so the Board telegraphed the Federal Reserve Bank of Richmond to send the Company a copy of Regulation W and to answer any questions it might have after referring to the regulation. The Board also telegraphed an acknowledgment to the Ramseur Roofing Company's telegram and advised the Company that it was referring the matter to the Richmond Reserve Bank.

"Regulation W provides that extensions of instalment credit arising out of the sale of materials and services in connection with repairs, alterations, or improvements upon urban, suburban, or rural real property in connection with existing structures, shall be repaid within 18 months,

9/25/41

-5-

"provided the 'deferred balance' (defined in the regulation) does not exceed \$1,000. Thus the regulation does not by any means prohibit the making of home modernization loans, although it does limit the maturities of certain types of such loans to 18 months. There are, furthermore, a number of exceptions made by the regulation which relate to home modernization loans, among them being those appearing in sections 6(a), 6(b), and 6(e) of the regulation, a copy of which is enclosed for your information.

"We feel sure that the Federal Reserve Bank of Richmond is both desirous and able to answer any questions of the Ramseur Roofing Company regarding the meaning of any of the provisions of Regulation W, or, if not, will obtain the answers promptly by referring the questions to the Board.

"Two points regarding Regulation W are presented by the Ramseur Roofing Company. The first has to do with the amounts and intervals of payments to be made in case the extension of instalment credit has been made to farmers. A number of complaints similar to that of the Ramseur Roofing Company have been received by the Board, and the staff is preparing for the Board's consideration an amendment that will meet the needs of farmers in these respects.

"The other point made by the Ramseur Roofing Company is that asphalt roofing is particularly deserving of exemption from the provisions of Regulation W; i.e., that extensions of instalment credit for the purpose of enabling people to obtain re-roofing should not be restricted. The Board is in receipt of numerous representations of a similar character, and these also have been referred to the staff for attention.

"You may be sure that in studying the effects of Regulation W, with a view to possible changes, the Board will give careful consideration to all of the complaints it has received, including that of the Ramseur Roofing Company. The letter from this Company is, in accordance with your request, returned to you herewith."

Approved unanimously.

9/25/41

-6-

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. S. ...
Chairman.