

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, October 4, 1941, at 11:30 a.m.

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

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 October 3, 1941, were approved unanimously.

It was stated that the temporary appointment of Mr. Cravens as a consultant in the Division of Security Loans was about to expire, that his services were needed for a further period, and that if compensation was to be continued the Board should take action on the matter today.

By unanimous vote, approval was given to the continuation of the employment of Mr. Cravens for an indefinite temporary period, with salary at the rate of \$14,500 per annum, a per diem allowance of \$10.00 in lieu of subsistence during the period of his temporary employment, and reimbursement for his actual necessary transportation expenses between Cleveland and Washington as well as his actual necessary transportation expenses to and from other points in the United States to which he might be sent under

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proper written travel authorization on official business of the Board.

In connection with the above action, approval was given to an increase in the appropriate item of the budget of the Division of Security Loans to cover Mr. Cravens' per diem allowance and transportation expenses during the remainder of the current year.

Memorandum dated October 3, 1941, from Mr. Nelson, Assistant Secretary, submitting the resignation of Mary M. Diegelman as a charwoman in the Building Operation and Maintenance Section of the Secretary's Office, to become effective at 9 p.m. on Friday, October 3, 1941.

The resignation was accepted.

Memoranda dated October 1, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignations of Emile Despres as a senior economist and Guy Nunn as a junior economist in that Division, to become effective as of the close of business on October 5 and October 1, 1941, respectively, and recommending that the resignations be accepted as of those dates.

The resignations were accepted.

Memorandum dated September 27, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Alfred Sherrard as a junior economist in the Division of Research and Statistics, to become effective as of the close of business on September 28, 1941, and recommending that the resignation

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be accepted as of that date.

The resignation was accepted.

Memorandum dated October 3, 1941, from Mr. Smead, Chief of the Division of Bank Operations, submitting the resignation of Jerry L. Williams as a messenger in that Division, to become effective as of the close of business on September 30, 1941, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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

"Reg. W-88. Part 3(a) of the Supplement to Regulation W provides that the maximum credit value of a new automobile shall be $66 \frac{2}{3}$ per cent of the purchase price but that such maximum credit value shall in no event exceed $66 \frac{2}{3}$ per cent of the sum of items numbered 1 through 4 as set forth under part 3(a). In this connection, the Board has received several questions as to the amounts which may be included under that portion of item 4 which permits the inclusion of 'Any bona fide charges for delivery . . . not included in the foregoing items.'

"In general this provision permits only the inclusion of bona fide charges for services which are actually rendered by the seller in connection with the delivery of a new automobile and which are not included in the manufacturer's retail quotation (item 1) or in transportation charges (item 2). For example, charges for such services as lubricating, cleaning, polishing, or otherwise conditioning the car may not be included under item 4 if these services are included in item 1 or 2; but in case any such services are not included in items 1 and 2, a charge which is reasonably related to the value of such services may be included in item 4. Likewise, where the contract of sale includes any additional services connected with the delivery of the car, such as greasing the car for a certain period or providing antifreeze, a reasonable charge

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"for such services may be included in item 4. On the other hand there may not be included in item 4 a charge which the dealer may make for 'advertising' or for 'warehousing', nor any other charges which the dealer may make except bona fide charges for services which are actually rendered by the seller to the purchaser and are not included in items 1 and 2."

Approved unanimously.

Letter to Mr. Phillips, Assistant Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of September 22, 1941, presenting a case under Regulation W in which a farmer obtains an unsecured single-payment loan from a bank for the purpose of making a down payment on the purchase price of an automobile, and is to pay the dealer the remaining amount of the cost of the automobile in one sum six months from date.

"It is understood that the two obligations are to be repaid at different times, and the question presented is whether there is an extension of instalment credit within the meaning of the Regulation.

"In the absence of some arrangement between the dealer and the bank which would be subject to the principles set out in W-16, it is the view of the Board that in the case you present there are two separate extensions of credit neither of which is instalment credit within the meaning of the present regulation."

Approved unanimously.

Telegram to Mr. Phillips, Assistant Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"Your letter September 17 re itemizing finance charges in Missouri. Under second paragraph of W-84 terminology of section 4(f) need not be used. Hence the \$106 difference between cash price and time price in example included with your letter could be listed as 'adjustment for time price and insurance' or by some other such term. If this does not solve problem and further advice is desired, it

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"would be helpful to have citations to Missouri statutes or cases which cause difficulty."

Approved unanimously.

Letter to Mr. Miner, President of the Guardian Management Corporation, Washington, D. C., reading as follows:

"Receipt is acknowledged of your letter of September 30, 1941 asking for information regarding the financing of insurance premiums under the regulation dealing with consumer credit.

"A copy of Regulation W is enclosed and your attention is invited particularly to sections 4 and 5. It is not clear from your letter whether the premium will be financed by the insurance company or by a finance company or other person. If the premiums are financed by the insurance company there would be an extension of 'instalment sale credit' as defined in section 2(d) of the Regulation, and since insurance is not a 'listed article' the Regulation would not be applicable.

"On the other hand, if the insurance is financed by someone other than the seller and if the amount does not exceed \$1,000, the credit could not be extended for more than 18 months in view of the provisions of section 5(b) of the Regulation.

"These provisions of sections 4 and 5 are subject to certain exceptions which are stated in section 6; and section 6(i) may exempt certain transactions which you have in mind.

"The administration of Regulation W has been decentralized, and therefore if you have any further inquiries in this connection it is suggested that you address them to the Federal Reserve Bank of Richmond."

Approved unanimously.

Memorandum dated September 30, 1941, from Mr. Parry, Chief of the Division of Security Loans, recommending that the Board reimburse Mr. M. I. Behrens of Ludwig Baumann, New York, New York, for expenses incurred by him in connection with trips which he made to Washington.

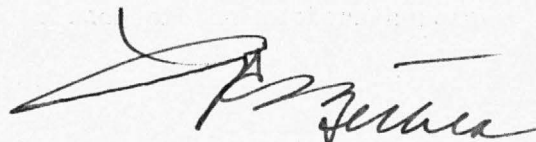
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on September 18 and September 23, 1941, at the Board's request, to discuss problems arising under Regulation W.

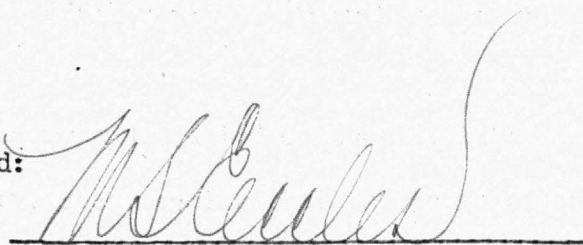
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.