

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, October 6, 1941, at 11:30 a.m.

PRESENT: Mr. Eccles, 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 October 4, 1941, were approved unanimously.

Memorandum dated October 2, 1941, from Mr. Nelson, Assistant Secretary, recommending that the leave of absence without pay granted to Norbert C. Treacy, a guard in the Building Operations and Maintenance Section of the Secretary's Office for the purpose of serving in the Army Air Corps, be extended for such time as he may be required to be on active duty, in accordance with the policy adopted by the Board on November 14, 1940, and amended on August 20, 1941.

Approved unanimously.

Letter to the board of directors of "The State Bank of Williamson", Williamson, New York, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special condition, the Board approves the bank's

10/6/41

-2-

application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of New York:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses aggregating \$13,164 as shown in the report of examination of such bank as of May 17, 1941, made by an examiner for the Federal Reserve Bank of New York."

Approved unanimously, together with a letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The State Bank of Williamson', Williamson, New York, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of New York for his information.

"Standard condition of membership numbered 6 has been prescribed in order that its provisions may be invoked at any time in the future, if necessary, but as in other cases and in accordance with the general authorization previously granted by the Board, you are authorized to waive compliance with the condition until further notice in so far as the condition applies to funds which are given statutory preference in the State of New York.

"It has been noted that there is a recognized weakness in the active management but that steps are to be taken to strengthen the situation, and it is assumed that the Reserve Bank will of course follow the case closely until the management question has been satisfactorily resolved."

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

"Reg. W-89. The classification 'water heaters designed for household use' includes all water heaters with a storage

10/6/41

-3-

"tank capacity of 85 gallons or less."

Approved unanimously.

Letter to Mr. Wallace, Counsel of the Federal Reserve Bank of Richmond, reading as follows:

"Receipt is acknowledged of your letter of September 30, 1941 regarding interpretation of W-72.

"In the case which you outline, the customer purchases a suite of furniture under an installment contract conforming to Regulation W, and later transfers his equity in the furniture to a second purchaser. The seller makes a new contract with the second purchaser, and the first purchaser is released.

"You are of the opinion that under W-72 the contract with the new purchaser is to be treated as an ordinary sale by the seller, and since the furniture is no longer 'new' furniture, the sale is not a sale of a listed article, and is therefore not subject to the regulation.

"The Board agrees with this conclusion. You point out that it opens the way to evasion because furniture may be purchased by one member of a household and if a revision of the credit is desired, it may be transferred to another member of the same household under a new contract not subject to the restrictions of the regulation. Of course, if at the time the original extension of credit was made there was any agreement, arrangement or understanding that such a transfer of equity would be made, there would be a clear violation of Section 8(g) of the regulation, and any such transfer of equity as you describe would be scrutinized most carefully with this possibility in mind."

Approved unanimously.

Letter to Mr. Long, Chairman of the Committee on Coordination of Federal, State, and Local Taxes, Boston, reading as follows:

"Reference is made to your letter of September 20 regarding work at the Board on the subject of coordination of Federal, State, and local taxes. Our work in this field is under the supervision of Professor Alvin H. Hansen, who is now abroad. Your letter will be promptly brought to

10/6/41

-4-

"his attention upon his return, which is expected to be about the middle of October. I am sure that he will be grateful for your offer of cooperation and interchange of information."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

McCaslin  
Chairman.