A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, October 18, 1941, at 11:30 a.m.

PRESENT: 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:

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"This refers to your letter of October 15, requesting authority to spend not to exceed $27,500 to cover the cost of alterations in the Jacksonville Branch to provide additional working space of approximately 2200 square feet that is needed immediately to relieve the overcrowded condition in the building and to provide a new vault door to the existing vault in the basement.

"You state that only a very negligible amount of strategic materials would be required in the alterations and that these materials are immediately available, such as the safe door, which the York Safe and Lock Company has available for immediate delivery, and two or three suitable steel beams which the architect assures you are already in the possession of, or under option to, the contractor who will do the work if authorized.

"In these circumstances, the Board will interpose no objection to the expenditure by your Bank of not to exceed $27,500 to cover the cost of the alterations referred to in your letter."

Approved unanimously.

Letter to Mr. Gilmore, Assistant Cashier of the Federal Reserve Bank of St. Louis, reading as follows:
"Receipt is acknowledged of your letter of October 11, 1941 enclosing a copy of a letter from Mr. C. R. Heyne, Group Credit-Collection Manager of the St. Louis office of Sears, Roebuck and Company, together with a copy of your proposed reply.

"There would be no objection to the proposed procedure, which consists in the purchaser making a small deposit on an article which the seller will hold and not deliver until he receives the remainder of the required down payment. The same principle as was discussed in W-2 and W-43 would seem to govern this case. In fact, on the basis of Mr. Heyne's letter, there does not seem to be any reason why the transaction could not be regarded as a 'lay-away' plan which would be governed by section 9(c) of the Regulation. If so, the seller could, of course, 'treat the extension of instalment sale credit as not having been made until the date of the delivery of the article to the purchaser.' In such a case the seller might deem it prudent to have his records show that delivery was not made until the payments made by the purchaser were sufficient to constitute the required down payment.

"If the above does not give you the information which you need in this connection, it goes without saying that we shall be glad to hear from you further."

Approved unanimously.

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

"Receipt is acknowledged of your letter of October 13, 1941 regarding W-92. You are correct in your view that the sale of real estate previously acquired by the seller through foreclosure or sold in connection with the development of a subdivision is not within the purview of Regulation W, even though secured by a second mortgage, or unsecured. The type of case mentioned in the second paragraph of W-92 is, of course, not sale credit.

"This general subject has caused some difficulty, as you are aware, and an amendment to the Regulation is under consideration which will clarify the whole question."
"It is hoped that the amendment will be adopted shortly."

Approved unanimously.

Letter to Mr. Frank J. Killien, Cashier of the Commercial Bank of Snohomish County, Snohomish, Washington, reading as follows:

"Receipt is acknowledged of your letter of October 10, 1941 regarding the application of Regulation W to a note for $500 made in July 1941 with regard to which there was an agreement, made at the time the loan was made, that a payment of $100 would be made, and the note renewed, each 90 days.

"The loan, coupled with the agreement, would constitute an extension of installment credit, and since the extension of installment credit was originally made in July 1941 it would not be subject to the Regulation in view of section 9(d).

"The administration of Regulation W has been decentralized, and therefore it is suggested that you address any further inquiries which you may have regarding it to the Seattle Branch of the Federal Reserve Bank of San Francisco, Second Avenue and Spring Street, Seattle, Washington."

Approved unanimously.

Memorandum dated October 17, 1941, from Mr. Parry, Chief of the Division of Security Loans, recommending, for the reasons stated in the memorandum, that $300 be added to the item of telephone and telegraph in the 1941 non-personal budget of the Division of Security Loans.

Approved unanimously.
Thereupon the meeting adjourned.

Approved:

[Signature]

Member.