A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, October 27, 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 hereinafter 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 25, 1941, were approved unanimously.

Memorandum dated October 20, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, transmitting a letter dated October 15, 1941, from James B. Opsata, Personnel Officer of the Office of the Coordinator of Information, inquiring whether the Board would interpose any objection to the transfer of Hubert Crampton Barton, Jr., Associate Economist in the Division of Research and Statistics, to the Office of the Coordinator of Information, and recommending that Mr. Opsata be informed that the Board has no objection to releasing Mr. Barton.

Approved unanimously.

Memorandum dated October 22, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the
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resignation of Chandler Morse as an Associate Economist in that Division, to become effective as of the close of business on October 15, 1941, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated October 23, 1941, from Mr. Parry, Chief of the Division of Security Loans, stating that the services of Irvin Wesley and Kenton R. Cravens, Consultants in that Division, were terminated effective as of the close of business on October 18 and 20, 1941, respectively.

Noted.

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

"Receipt is acknowledged of your letter of October 21, 1941, enclosing Form A pages of the personnel classification plan of your Bank covering the positions of Elevator Starter and Elevator Operator. While the maximum salaries proposed are higher than those which have been approved for any other Federal Reserve Bank, the Board of Governors approves the changes as requested, since they appear to be the salaries agreed upon by the Building Managers' Associations for such work in Chicago."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves the changes in the personnel classification plans of your Head Office and
"Branches as requested in your letter of October 21, 1941."

Approved unanimously.

Letter to the board of directors of "The Bank of Attica",
Attica, New York, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 New York:

"4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of $7,302 as shown in the report of examination of such bank as of August 16, 1941, made by an examiner for the Federal Reserve Bank of New York."

Approved unanimously for transmission through the Federal Reserve Bank of New York.

Telegram to Mr. Hays, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference your telegram October 24 concerning stokers see S-380 dated October 22. Board's letter to Stoker Manufacturers Association should not be distributed but the association can furnish manufacturers and dealers with the necessary information."

Approved unanimously.

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

"Reference is made to your letter of September 19,
1941 enclosing questions submitted by Virginia Association of Personal Finance Companies. Your letter was not answered earlier because the questions were being considered in connection with the proposed amendments, which have now been issued.

"The first question relates to a loan to make a down payment, the question being whether, if the lender knows the purpose of the loan, he or the borrower, or both, will be guilty of 'knowing participation' in a violation in view of W-31.

"Prior to the amendment, the person making the loan to be used for the down payment would not be guilty of a violation in view of W-36, but when the amendment becomes effective the lender in such a case will of course be violating section 5(f) if the loan is an installment loan. The position of the borrower would of course depend upon the facts of the particular case, but in view of W-31 he might be guilty of 'knowing participation', particularly after the effective date of the amendment.

"The second question relates to a loan to be used in part to finance the purchase price of a refrigerator, in part to discharge a prior loan held by the lender, and in part for vacation expenses. If the refrigerator is taken as security, the case is covered by section 5(e), as amended effective December 1. If the refrigerator is not taken as security, the case is covered by sections 5(a) and 5(e), as amended effective December 1; and prior to that date, there would be no limit on the amount of the loan."

Approved unanimously.

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

"Receipt is acknowledged of your letter of October 10 with reference to the statement of the cash purchase price of an article, referred to in section 5(a)(1) and section 5(c)(1) of Regulation W.

"Of course, section 5(a)(1) does not require the Registrant to obtain a written statement from the obligor setting forth the purchase price, but merely provides a means whereby the Registrant may protect himself from a
"possible violation of the Regulation. However, this point is probably not of great practical importance in connection with the question which you raise.

"Section 5(a)(1) provides that the loan may not exceed the 'credit value' of the article, and that in determining such credit value the Registrant may accept the borrower's statement of the purchase price. In the case of an article other than an automobile it seems inevitable that the Regulation must be construed as meaning that a statement given to the Registrant by the borrower as to the amount allowed for the trade-in will give the Registrant the same protection as the statement of the purchase price which is specifically mentioned in section 5(a)(1).

"In the case of a new automobile the Registrant is, as you point out, faced with the difficulty that a statement of the price paid by the borrower may not furnish the figure on which the maximum credit value is based, because that price may include a 'pack' and may be in excess of the sum of items (1) through (4) in Part 3 of the Supplement. In such a case, in order to calculate the credit value, the Registrant must know the sum of items (1) through (4). A fair interpretation of the Regulation would seem to require that a statement of this sum received from the purchaser would protect the Registrant to the same extent as the statement specifically referred to in the last part of section 5(a)(1), assuming of course that the statement was accepted in good faith, which would mean that the Registrant believed that the statement was accurate. Of course the Registrant might obtain the sum of items (1) through (4) directly from the seller, and there are other sources from which he could obtain the figures for the various items. It seems obvious, however, that in some cases the Registrant will be put to extra trouble in obtaining the information which he will probably wish to have in order to protect himself."

Approved unanimously.

Letter to Mr. C. P. Amory, Newport News, Virginia, reading as follows:

"Your letter of October 9 regarding the effect of the Board's Regulation W on your business has been received."
"There has been no ruling issued by the Board which would permit extensions of instalment credit arising from the sale of the boats and motors described in Group B in the Supplement to Regulation W to have a maximum maturity greater than 18 months.

"The Board regrets that circumstances made it necessary to impose restrictions upon the sale of motor boats and cruisers, but it can give no assurances that these restrictions will, generally speaking, be lightened while the national emergency lasts."

Approved unanimously.

Letter to the Commissioner of Internal Revenue, reading as follows:

"This refers to the letter from Deputy Commissioner Bliss dated October 18, 1941 (MT:M), with which was enclosed a supply of your revised Form 731, exemption certificate with respect to the tax on transportation of persons and on seating and sleeping accommodations, suggesting that such form would appear to be adaptable for use by Federal Reserve Banks without the necessity of printing a modified form by the Board of Governors of the Federal Reserve System.

"Form 731, Revised October 1941, is not strictly appropriate for use by Federal Reserve Banks since it requires the person using such form to sign a certificate to the effect that the charges for the service indicated on the form 'have been, or will be, paid for by the United States or by a State or Territory, or political subdivision thereof, or the District of Columbia'. As the expenses incurred by officers and employees of the Federal Reserve Banks when traveling on official business are paid by the Federal Reserve Banks and not by the United States, such persons obviously cannot sign such exemption certificate without making a misstatement of fact.

"In the circumstances, the Board feels that it is desirable to print a modified form of exemption certificate suitable for use by Federal Reserve Banks, and in accordance with the suggestion contained in the last sentence of the letter from Deputy Commissioner Bliss, there is enclosed herewith a copy of Form 731, Revised October
"1941, with such changes interlined thereon as seem necessary to bring the form more strictly into conformity with the law and the facts insofar as Federal Reserve Banks are concerned.

"It will be appreciated if you will advise the Board whether you approve of the use of this form as modified."

Approved unanimously.

Memorandum dated October 24, 1941, from Mr. Wyatt, General Counsel, recommending that Amendment No. 2 to Regulation W be published in the November issue of the Federal Reserve Bulletin, together with an introductory statement in the form attached to the memorandum.

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

Chairman.

Assistant Secretary.