A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, December 27, 1941, at 10:45 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Morrill, Secretary
Mr. Parry, Chief, Division of Security Loans
Mr. Dreibelbis, Assistant General Counsel
Mr. Dembitz, Special Assistant, Division of Security Loans

Mr. Ransom stated that, in the absence of further action by the Board, the provisions of Section 6(j) of Regulation W, Consumer Credit, which authorizes the extension of instalment sale credit without the down payment that otherwise would be required provided the total indebtedness of the obligor does not exceed $50 and is to be repaid in approximately equal monthly instalments the last of which matures in nine months, would expire on December 31, 1941; and he requested Mr. Parry to review, for the information of the other members of the Board, the consideration that had been given to the question whether the provisions of the section should be extended for a further period.

Mr. Parry stated that requests for such extension had been received from the National Retail Furniture Association and from Mr.
Cam Dorsey, an attorney representing the Rhodes-Haverty Furniture Stores; that an informal conference with representatives of furniture dealers was held on Sunday, December 21, 1941, when an opportunity was afforded to the representatives to present such reasons as they might wish to have considered for the continuation of the section; and that subsequently Mr. R. R. Rau, Secretary of the National Retail Furniture Association, filed a written statement of the Association’s position in the matter. Mr. Parry also discussed briefly the reasons suggested for the extension of the section and the ways in which the problems involved might be met if the section were not continued. These possibilities were discussed by the members of the Board and they were unanimously of the opinion that no action should be taken at this time to extend the provisions of the section.

Thereupon a motion was adopted by unanimous vote that the question of the manner in which the representatives of the furniture dealers should be advised that the provisions of Section 6(j) would not be extended should be left to Mr. Ransom to handle in such manner as he saw fit, and Mr. Morrill was requested to advise the Federal Reserve Banks by wire for their information and not for publication that the Board had decided to take no action on the matter at this time.

(Secretary’s note: Following the meeting Mr. Ransom called Mr. Rau, who was in Chicago, on the long distance telephone and informed him that after careful consideration of the information submitted at the informal conference on December 21 and the written statement submitted by Mr. Rau, the Board had reached the conclusion that no action should be taken at this time to extend the provisions of Section 6(j) of Regulation W.)
At this point Messrs. Parry, Dreibelbis, and Dembitz left the room and action was taken by the Board on the following matters:

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

"Telegram December 22 concerning proposed retirement of capital debentures by First State Bank, Kerrville, Texas. Law requires State member bank in town the size of Kerrville to maintain capital in amount of $50,000. In some instances, Board has felt that, in view of practical aspects of a particular situation, it was justified in ignoring a temporary violation where a reserve for dividends payable in common stock in amount of capital deficiency was created and stock was to be issued in comparatively short time. Accordingly, in its telegram of December 23, 1940, Board interposed no objection to retirement of debentures then proposed by above named bank, it being understood that issuance of stock would be delayed only temporarily awaiting completion of pending tax negotiations. However, Board does not believe that it would be justified in ignoring a violation of the statutory requirements extending over a considerable period of time as contemplated in the proposed program, particularly in view of the fact that the failure to issue stock as required by the Federal statutes would be primarily for the purpose of avoiding payment of certain taxes as required under State law. It would appear that the objections to the issuance of small amounts of stock could be largely eliminated by the issuance of common stock in the amount of $10,000 at this time and the issuance of a like amount at the end of the three-year period and perhaps could be wholly eliminated by an amendment to the bank's charter authorizing the issuance of stock from time to time as debentures are retired and by the issuance of the stock to a trustee to be held for the benefit of all shareholders until all of new stock has been issued. It is suggested that you consider these possibilities with the bank."

Approved unanimously.

Letter to Mr. Wallace, Counsel for the Federal Reserve Bank of Richmond, reading as follows:
This refers to the question presented in your letter of December 17, 1941, as to whether section 3(a) of Regulation W requires the registration of a person who arranges for extensions of credit as an agent or broker but never himself becomes entitled to enforce the obligations, or whether his activities are covered by the registration of the person for whom he acts.

The Board is glad to advise you that it agrees with your view that such a person is not required to register, and that his activities are covered by the registration of his principal.

The other question presented in your letter of December 17 regarding a different phase of Regulation W will be answered separately.

Approved unanimously, together with a second letter to Mr. Wallace as follows:

Your letter of December 17, 1941, presents a question as to whether materials and services used in erecting a fence which wholly or partly encloses a lot of land on which there is a residence or other structure are listed articles included in Group E.

The Board has recently had occasion to consider this question and has advised another Reserve bank that if the fence is installed on any property on which there are existing structures, the services and materials are included in Group E.

The other question presented in your letter of December 17 regarding a different phase of Regulation W will be answered separately.

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

Thank you for your letter of December 17, 1941, making certain suggestions in connection with Group C-5 of the Supplement to Regulation W--'Cooking Stoves and Ranges'.

You suggest that we might eliminate the words 'with less than 7 heating surfaces' and substitute 'designed for household use'. That seems like a move in
"the right direction but of course it would present a problem as to the way in which the Board would define the stoves and ranges designed for household use. It has been thought desirable to have some sort of physical characteristic to which reference could be made so that no question would arise in anyone's mind about any given article. It is possible that such criteria could follow the lines of W-90 but there is some question whether or not that approach would be entirely satisfactory since it would appear that there is a fairly wide area at the border-line. If you have any suggestions for handling this area or if you think it is not much of a problem the Board would be glad to have your views."

Approved unanimously.

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

"This is in reply to your letter of December 19 relating to the Registration Statement under Regulation W and enclosing a letter from counsel for the Hoover Company inquiring as to the filling out by that company of part III-B of the form. It is understood that all sales by Hoover Company salesmen, excepting sales to the company's own employees, are made for the account of a retail dealer other than the Hoover Company and are made under such circumstances that they are likely to be reported as retail sales by that dealer on his Registration Statement. On the basis of these facts, such sales should not be included by the Hoover Company in filling out part III-B of the Registration Statement."

Approved unanimously.

Letter to Mr. Marion G. Romney, Salt Lake City, Utah, reading as follows:

"Reference is made to your letter of December 18, 1941 addressed to Mr. Samuel R. Carpenter, Assistant Secretary to the Board, regarding a question under Regulation W."
"You state that the General Church Welfare Committee makes loans (presumably for $1,500 or less) which are payable in instalments, but that these loans are made at an interest rate of 4 per cent, which does not pay the cost of servicing the loan, and that the loans are made for benevolent or charitable purposes. You ask whether the Committee is required to register under section 3(a) of the regulation.

"The Board has recently had occasion to consider similar questions and has expressed the view that the motive actuating a person in engaging in the making of instalment loans does not alter the application of the regulation. Accordingly, in a situation such as you describe, the loans, if they are otherwise within the regulation, would be subject to the requirements of the regulation and would require the lender to register.

"The administration of Regulation W has been decentralized and if you should have any further questions with respect to this matter, it is suggested that you communicate with the Salt Lake City Branch of the Federal Reserve Bank of San Francisco, which is being sent a copy of this letter and will be glad to give consideration to any further problems which may arise with regard to the regulation."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

[Signature]

Secretary.

[Signature]

Vice Chairman.