

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, January 7, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice 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 January 6, 1942, were approved unanimously.

Memorandum dated January 6, 1942, from Mr. Clayton, Assistant to the Chairman, recommending, with the approval of Chairman Eccles, that, effective immediately, Miss Charlotte N. Mitchell be retransferred from the Board Members' Offices to the Office of the Secretary as a stenographer, with no change in her present salary at the rate of \$1,800 per annum.

Approved unanimously.

Memorandum dated January 5, 1942, from Mr. Nelson, Assistant Secretary, recommending that Lee W. Langham, senior guard in the Building Operation and Maintenance Section of the Secretary's Office, be

1/7/42

-2-

granted leave of absence without pay beginning January 12, 1942, so that he might enter active duty with the United States Marine Corps, and that he be granted the benefits provided by the policy adopted by the Board on November 14, 1940, and amended August 20, 1941, for all employees entering military service.

Approved unanimously.

Letter to Mr. Drinnen, First Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of your Bank as requested in your letter of December 27, 1941."

Approved unanimously.

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

"In accordance with the request contained in your letter of January 2 the Board approves the appointment of Upton S. Martin as an examiner for the Federal Reserve Bank of Richmond. Please advise us of the effective date."

Approved unanimously.

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

"In accordance with the request contained in your letter of December 31 the Board approves the appointment, effective December 31, 1941, of E. A. Thaxton, who has previously been designated as a special assistant examiner, as an assistant examiner for the Federal Reserve Bank of Dallas."

Approved unanimously.

1/7/42

-3-

Telegram to Mr. Ruml, Federal Reserve Agent at the Federal Reserve Bank of New York, authorizing him to issue a limited voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "First Securities Corporation of Syracuse", Syracuse, New York, entitling such organization to vote the stock which it owns or controls of "The First National Bank of Canastota", Canastota, New York, "Liverpool Bank", Liverpool, New York, "Citizens Bank of Clyde", Clyde, New York, and "The State Bank of Parish", Parish, New York, at any time prior to April 1, 1942, and to elect directors of such banks at the annual meetings of shareholders, or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks. The telegram also stated that:

"It is noted that applicant has been purchasing and retiring shares of its own capital stock. In view of its impaired capital and lack of actual net earnings, applicant is prohibited from paying dividends by the terms of paragraph 7 of its voting permit application. For all practical purposes the purchase of its own capital stock reduces the capital structure of the applicant to the same extent as if dividends were paid in the amount of the cost of such stock. It is felt that the financial circumstances of the applicant do not warrant use of any of its funds for the purchase of its own stock. Please advise applicant accordingly."

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

"This refers to the Board's letter of December 11, 1941 (R-930), requesting that you obtain annual reports

1/7/42

-4-

"for 1941 from the holding company affiliates in your district which hold general voting permits. You will recall that, although First Securities Corporation of Syracuse, Syracuse, New York, does not hold a general voting permit, an annual report was obtained from it for 1940 pursuant to our letter to you dated January 11, 1941. In order that we may have full information regarding First Securities Corporation of Syracuse covering the year 1941, it will be appreciated if you will request the corporation to furnish an annual report for 1941 on Form F.R. 437.

"A supply of Form F.R. 437 is enclosed for use in obtaining the report from First Securities Corporation of Syracuse."

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

"Reg. W-123. The words 'down payment' in section 5(f) of Regulation W refer to the down payment required by the Regulation. Accordingly, if a seller asks for a larger down payment than is required by the Regulation, section 5(f) would not prevent a bank or other lender from lending the purchaser the difference between the down payment required by the Regulation and the down payment required by the seller."

Approved unanimously.

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

"This refers to your letter of November 29 regarding the effect of Regulation W on an instalment contract originally drawn for 12 months, where the borrower is unable to make one of the monthly payments and desires to make it on the 13th month. The question is a rather troublesome one, and the delay in answering your letter has been the result of the study which has been given to it by various members of the Board's staff.

"As you point out, it would be undesirable to require the use of the Statement of Necessity to make minor adjustments of a kind which are apt to occur in a fairly large

1/7/42

-5-

"proportion of cases. To do so would encourage evasion on the part of some Registrants, and would cause annoyance at 'useless formalities' on the part of others. Similarly, it would be undesirable to encourage resort to the provision in section 8(a)(2) regarding defaulted contracts in the type of case to which you refer since that provision also was intended to provide for exceptional cases, and not for the common type of case where only a slight readjustment is required.

"However, Regulation W does not require a Registrant to take any action when a payment is omitted or paid only in part. If a Registrant wishes to revise or rewrite the contract, he must comply with the applicable provisions of the Regulation, such as section 8(a), section 8(d) and section 3(a)(2)(B). However, if a Registrant in the ordinary course of business merely refrains from foreclosing, repossessing or bringing suit in a case such as you describe, he would not be violating the Regulation, unless, of course, he were acting pursuant to a scheme designed to evade the Regulation. Obviously, if a Registrant made a practice of taking no action in such cases, and if the practice were known to his obligors, there would be at least a presumption that he was evading the Regulation.

"This will probably furnish a practical solution to the problem in most cases, but we will be very glad to receive any comments or suggestions which you may have regarding it."

Approved unanimously, with the understanding that copies of the above letter would be sent to the Presidents of all Federal Reserve Banks.

Letter to Mr. William E. Carney, Plumber & Heating Engineer, Philmont, New York, reading as follows:

"The Commissioner of Internal Revenue forwarded to us your letter of December 16, 1941, calling attention to an advertisement appearing in the Albany Times-Union on December 9, 1941, referring to the terms of sale of radios. In your letter you say 'May I ask you on what authority, rule or law they can offer goods at \$1.00 down payment?'

"Under section 6(j) of Regulation W a seller of

1/7/42

-6-

"goods may extend instalment sale credit on or before December 31, 1941, which does not bring above \$50, the total of the obligor's outstanding indebtedness to the Registrant arising out of extensions of instalment sale credit made on or after September 1, 1941, and (2) is to be repaid at approximately equal intervals and in approximately equal instalments the last of which matures within 9 months after the first day of the calendar month next following such extension. In other words, the advertiser in selling a \$24.95 radio at \$1.00 down and \$1.00 weekly was not violating Regulation W. The section of the regulation noted above was not extended by the Board of Governors of the Federal Reserve System beyond its expiration date so that on and after January 1, 1942, the sale of a radio, for example, on the terms stated in the advertisement would be illegal although it was not irregular prior to December 31, 1941.

"In case you have other inquiries with reference to the instalment credit regulations, you may find it more convenient to address your questions to the Federal Reserve Bank of New York, the Reserve Bank of the District in which your business is located.

"A copy of this letter is being forwarded to the Commissioner of Internal Revenue."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Boston, reading as follows:

"Receipt is acknowledged of your letter of December 29, 1941, enclosing a bill dated December 22, 1941 rendered to you by Mr. Phillips Ketchum for professional services from January 1, 1938 to December 22, 1941. The bill for services is in the net amount of \$15,400 and the bill for reimbursement of expenses paid out is in the sum of \$3,566.56, making a total of \$18,966.56.

"It is noted that this is a general settlement covering all services and expenses during the period stated with the exception of one law suit which is pending on appeal and for services in connection with certain loans under section 13b of the Federal Reserve Act as to which legal expenses are reimbursable. It is further noted that in arriving at the net amount of \$15,400, you allow credit for fees for certain services covered by interim bill which

1/7/42

-7-

"was paid in August, 1939, and also for the retainer payments for 1938, 1939, 1940 and 1941.

"It is understood that at a regular meeting of your Board of Directors on December 24, 1941, the directors approved the payment of this bill subject to the approval of the Board. You are advised that the Board hereby approves the payment of \$18,966.56 to Mr. Phillips Ketchum for services and expenses as contained in the bill referred to above and submitted with your letter of December 29, 1941."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. Steeles
Chairman.