

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, January 15, 1942, at 12:30 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
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 14, 1942, were approved unanimously.

Memorandum dated January 13, 1942, from Mr. Morrill, Secretary, recommending that the following increases in salaries of employees in the Secretary's Office be approved, effective as of January 16, 1942:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Secretarial and Administrative Functions</u>			
Robert W. Rieseberg	Accounting Clerk	\$1,800	\$2,100
Enid W. Staley	Clerk	1,260	1,440
Esther G. Crews	File Clerk	1,800	1,920
Maria D. Miles	Jr. File Clerk	1,600	1,680
Beatrice S. Hunter	Jr. File Clerk	1,440	1,620
<u>Service Functions</u>			
M. P. Flagg	Telegraph Operator	1,920	1,980
T. N. Buckley	Telegraph Operator	1,860	1,920
G. L. March	Telegraph Operator	1,860	1,920
W. S. Pool	Telegraph Operator	1,860	1,920
<u>Building Operation and Maintenance Section</u>			
Leonard A. Norden	Guard	1,380	1,500

Approved unanimously.

Memorandum dated January 15, 1942, from Mr. Nelson, Assistant

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Secretary, recommending that Joseph P. Harris, Jr., a guard, be promoted to the position of senior guard in the Secretary's Office on a temporary basis for an indefinite period, and that his salary be increased from \$1,500 to \$1,560 per annum, effective as of February 1, 1942.

Approved unanimously.

Memorandum dated January 13, 1942, from Mr. Nelson, Assistant Secretary, recommending that assent be given by the Board to the examination and certification by the Civil Service Commission of Miss Florence R. Morin, a clerk in the Secretary's Office, for the position of personnel assistant.

Approved unanimously, with the understanding referred to in Mr. Nelson's memorandum that before accepting a position covered by the examination she would obtain the consent of the Board of Governors.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of January 10, 1942, the Board of Governors approves the payment of salaries, as fixed by your Board of Directors, for the period January 1, 1942, to March 31, 1942, to officers of the Federal Reserve Bank of New York and its Buffalo Branch as indicated below:

<u>Name</u>	<u>Title</u>	<u>Annual salary</u>
<u>Head Office</u>		
Edward O. Douglas	Assistant Vice President	\$9,500
William A. Heinl	Manager, Personnel Dept.	6,000
<u>Buffalo Branch</u>		
Reginald B. Wiltse	Managing Director	10,000
George J. Doll	Assistant Cashier	4,200

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"In accordance with the further action of the Board of Directors, the Board of Governors also approves the payment of a salary to Mr. J. Harding Cowan, Legal Department, at the rate of \$7,500 per annum, for such period beyond January 1, 1942, as it may be desirable to assign him to work of the Foreign Property Control Department. Please advise the Board when Mr. Cowan's employment is terminated.

"It is noted in your letter that Messrs. Douglas, Heinl, Wiltse, and Doll were appointed for the period until the first meeting of the Board of Directors in 1943 and all other officers of the Bank and Branch, with the exception of the President and the First Vice President, were reappointed for the same period.

"It is also noted that the position of Assistant Manager of the Buffalo Branch, formerly held by Mr. Wiltse, is not being filled at the present time."

Approved unanimously.

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

"In accordance with the request contained in your letter of January 12, 1942, the Board approves the appointment of Glendon M. Burr as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise us of the effective date."

Approved unanimously.

Letter to Honorable D. W. Bell, Under Secretary of the Treasury, reading as follows:

"This is to acknowledge receipt of your letter of January 2, 1942, addressed to Chairman Eccles, with which you enclosed a sample application form designed by the Washington Board of Trade for use in the solicitation of orders for the purchase of United States defense savings bonds. You inquire whether the Board of Governors would be willing to waive or modify the provision of Regulation Q relating to the presentation of a savings passbook by

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"the bank at the time of withdrawals in such manner as might be necessary to permit the use of the form in question.

"The Federal Deposit Insurance Corporation has prescribed regulations governing nonmember insured banks, which contain provisions similar to those of Regulation Q relating to this subject; and it is noted that a copy of your letter and its enclosures have been forwarded to the chairman of the board of directors of the Corporation for his comment.

"We understand that the recent drive of the Washington Board of Trade in this connection has now been completed and accordingly it would not seem necessary to reach a determination of the matter at this time. However, the Board and the Federal Deposit Insurance Corporation have conferred informally with regard to the subject and are continuing to give consideration to it. If developments should occur at any time which indicate that a decision in this matter is desirable and the Treasury feels that the regulations on the subject should be waived or amended in order to facilitate the defense bond campaign, kindly advise us and we will be glad to act in the matter as promptly as possible."

Approved unanimously.

Letter to Mr. Mastin G. White, Solicitor of the United States Department of Agriculture, reading as follows:

"Reference is made to your letter of December 27, 1941, regarding section 6(a) of the Board's Regulation W which exempts: 'Any extension of credit which is secured by a bona fide first lien on improved real estate duly recorded'

"Your inquiry relates to supplemental loans made by your Department under Title I of the Bankhead-Jones Farm Tenant Act (7 U.S.C. 1000-1006). You describe such a case in which a loan was made in April 1941 in the amount of \$3,680 secured by a first mortgage recorded April 16, 1941. This loan included the amount of \$150 estimated to be necessary for the drilling of a well in order to supply water on the farm. This amount was calculated on the assumption that a well somewhat in excess of 65 feet, the average depth of wells in the community, would be necessary. At

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"a depth of 93 feet water has not been located. It is, accordingly, necessary to advance additional funds in the amount of \$300 so as to permit the well to be drilled to a greater depth.

"Under the provisions of law cited above, the supplemental loan, as well as the original loan, is required to be secured by a first mortgage. Accordingly, an additional note and mortgage are taken to secure the supplemental advance in cases of this character. Because of the additional expense that would be involved to the low income borrowers of your Department, the Department has not insisted upon a consolidated mortgage to secure both the original advance and the supplemental advance. Since both mortgages are held by the Department, and since there are no intervening liens, your Department feels that the requirements of law that a first mortgage be obtained have been satisfied.

"As you state in your letter, the Board's interpretation W-30 dealt with a case in which a mortgagee who has made a loan of \$2,000 secured by a first mortgage advances \$400 more to the same borrower but instead of combining the two transactions into one debt secured by one mortgage the lender takes another note and a second mortgage. That interpretation expressed the view that the \$400 advance there involved is not secured by a 'first lien' within the meaning of section 6(a). You point out, however, that in the case you present the supplemental advance is part of a continuing relationship and course of dealing between the lender and borrower, and hence in a very real sense is part of a single transaction. This did not appear to be the case in the situation discussed in W-30. The facts of that case do not indicate any connection between the two advances other than the fact that both notes and both liens happened to be held by the same lender.

"It is the view of the Board that in a situation such as you describe the entire proceeding may be viewed as a single transaction and that, accordingly, the total advance to the borrower may be considered a single extension of credit which is secured by a first lien within the meaning of section 6(a)."

Approved unanimously.

Letter to Congressman Charles H. Leavy, reading as follows:

"In your letter of December 29 you referred to a

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"letter written to the Board on December 17 by the Inland Empire Electrical Equipment Association of Spokane, urging that the down payment required by the Board's regulations on instalment sales of electrical equipment be reduced. The requirement of a twenty per cent down payment on certain electrical equipment, as against a ten per cent down payment required on furniture, is not intended to be discriminatory. It is based upon various considerations that have had to be taken into account, including varying trade practices and especially the importance of the respective products from the point of view of wartime needs. The object is to dampen the demand for articles of which the supply for civilian use is reduced. Electrical equipment and the materials used therein are obviously more closely related to the war effort than are furniture and pianos, which are the two classes of articles on which a down payment of only ten per cent is required.

"The Board has carefully considered the request of the Inland Empire Electrical Equipment Association, but, in view of the considerations just mentioned, it believes that no reductions in down payments should be made. Reductions, it is felt, would be especially inappropriate at this time in view of the greatly increased war efforts which must be met.

"We regret that in this case, as in the many others where we are asked to make exceptions, we do not find it possible to reply more favorably to the Association's request. You will realize, we are sure, that our decision is based wholly on broad considerations of policy.

"We enclose a copy of our reply to the letter sent us by the Association and two copies of a statement explaining why instalment credit is regulated."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowbray
Secretary.

Approved:

W. C. C. C.
Chairman.