

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, March 27, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
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 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 March 26, 1942, were approved unanimously.

Telegrams to Mr. Sanford, Secretary of the Federal Reserve Bank of New York, Mr. Walden, First Vice President of the Federal Reserve Bank of Richmond, Messrs. Dillard and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, and Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, stating that the Board approves the establishment without change by the Federal Reserve Banks of New York, Richmond, Chicago, St. Louis, and Kansas City on March 26, 1942, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated March 26, 1942, from Mr. Nelson, Assistant Secretary, recommending that Albert J. Sadler be appointed as a guard

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in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,380 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, with the understanding that if his work is satisfactory during the first six months of his appointment a further recommendation will be submitted asking that his salary be increased to \$1,500 per annum.

Approved unanimously.

Memorandum dated March 26, 1942, from Mr. Nelson, Assistant Secretary, recommending that Mrs. Loretta D. Beale be appointed as a junior file clerk in the Secretary's Office on a temporary basis for a period of not to exceed six months, with salary at the rate of \$1,260 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination, with the understanding that if her work is satisfactory during the six months' period a further recommendation will be submitted asking that her appointment be made permanent and her salary increased to \$1,440 per annum.

Approved unanimously.

Memorandum dated March 21, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Edward Boorstein as a junior economist in that Division, to become effective as of the close of business on March 20, 1942, and

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recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Creighton, Chairman of the Board of the Federal Reserve Bank of Boston, reading as follows:

"Referring to your letter of February 26, 1942, the Board of Governors approves the appointment of Mr. William Willett as First Vice President of the Federal Reserve Bank of Boston for the unexpired portion of the five-year term ending February 28, 1946.

"In accordance with the request contained in your letter of March 18, 1942, the Board of Governors also approves the payment of salaries to Mr. William W. Paddock as President, and to Mr. William Willett as First Vice President, at the rates of \$25,000 and \$16,000 per annum, respectively, as fixed by your Board of Directors, for the period April 1, 1942, to April 30, 1943, inclusive."

Approved unanimously.

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

"Reference is made to your letter of March 18, 1942, requesting that the Board approve the reappointment of R. Paul Wilson as an assistant examiner for the Federal Reserve Bank of Atlanta. It is understood that you wish to avail yourselves of Mr. Wilson's services on a more or less temporary basis until you can find someone with good possibilities for development to replace him, at which time Mr. Wilson will be returned to another department of the Reserve Bank.

"In the circumstances, it is not felt that it would be appropriate to approve the appointment of Mr. Wilson as a regular assistant examiner. However, the Board will not object to his assignment to the Bank Examination Department for the time being under the authorization contained in the Board's letter of March 3, 1942, approving the designation of Mr. Wilson as a special assistant examiner even though his service may be more regular than that ordinarily contemplated in designating persons as

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"special assistant examiners in order that their services may be available to assist your regular examining staff when necessary."

Approved unanimously.

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

"In accordance with the request contained in your letter of March 17, 1942, the Board approves the appointment of Everett D. Land as an examiner for the Federal Reserve Bank of Kansas City. Please advise us of the effective date."

Approved unanimously.

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

"Referring to your letter of March 21, 1942, the Board of Governors approves the reappointment of Mr. Charles R. Moore, and the appointment of Messrs. E. P. Simmons, Lawrence S. Pollock, Ira T. Moore, and Jake L. Hamon, as members of the Industrial Advisory Committee for the Eleventh Federal Reserve District, each to serve for the term which will expire February 28, 1943. Your comments regarding changes in the personnel of the Committee have been noted."

Approved unanimously.

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

"Referring to your letter of March 21, 1942, the Board of Governors approves payment of salaries to the following officers for the period March 19, 1942 to May 31, 1942, inclusive, at the rates indicated, which are those fixed by your Board of Directors:

<u>Name</u>	<u>Title</u>	<u>Annual salary</u>
J. Lee Cook	Assistant Cashier, Houston Branch	\$3,600

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<u>"Name</u>	<u>Title</u>	<u>Annual salary</u>
H. K. Davis	Assistant Cashier, San Antonio Branch	\$3,300"

Approved unanimously.

Letter to "The First National Bank of El Campo", El Campo, Texas,
reading as follows:

"The Board of Governors of the Federal Reserve System has reconsidered your application for certain fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as co-trustee under the trust agreement dated August 1, 1941, executed by Guy F. and Edith Stovall, under which you are now acting, the exercise of such right to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary power granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course.

"In granting the above authorization, it is desired to emphasize the importance, where a corporate fiduciary acts as a co-trustee, of its participating actively in the administration of the account, and of maintaining adequate records of its actions in order that evidence may be available at all times that it has properly discharged its responsibilities toward the trust."

Approved unanimously.

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

"On March 11 Board forwarded to Reserve Banks copies of reports of informal committees on enforcement and Better Business Bureaus. Board would appreciate having in writing on or before April 1 your comments and suggestions on these two reports. Board will welcome your frank criticism of the plans outlined in the reports and your suggestions of alternative methods. In order to avoid a System conference in Washington on account of the critical hotel conditions

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"here and increasing pressure of work in the Reserve Banks, Board and its staff on receipt of your comments and suggestions will work out an enforcement plan to be submitted to the Reserve Banks at a later date."

Approved unanimously.

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

"Questions have been received regarding instalment obligations created before the effective date of Amendment No. 3 to Regulation W and the extent to which a creditor may revise the terms of such an obligation, extending its maturity, without requiring a Statement of Necessity. The applicable rule in such cases depends on whether the obligation was or was not subject to the regulation when it was created.

"In the case of a revision of an obligation that was subject to the regulation before March 23, 1942, the effective date of Amendment No. 3, the rule is stated in section 8(a), that is, the revision may not change the terms to any which would not have been 'permitted in the first instance' for the credit. For example, if an automobile was sold with a 12 months' maturity in December 1941 when 18 months was permissible, it could be revised even after March 23, 1942 to increase the maturity by six months, since this would still result in a maturity of only 18 months as permitted in the first instance.

"To determine the applicable rule for the revision after March 23, 1942 of an instalment obligation growing out of the sale before that date of an article added to the list by the amendment, section 8(a) must be read in connection with the last part of the paragraph added to section 9(d) by the amendment. When read together these state that in such a case the obligation may not be revised to terms which, when reckoned from the date of the sale, would not be permitted under the amendment. For example, suppose a watch was sold with a 12 months' maturity in December 1941 when the transaction was not subject to the regulation. If the obligation is revised after March 23, 1942 when watches have become listed articles, the maturity may be increased by only three months

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"since this would result in a total maturity of 15 months, the longest permitted under the amendment for such credit."

Approved unanimously.

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

"Questions have been received regarding the effect of Amendment No. 3 to Regulation W, effective March 23, 1942, on a bona fide commitment made before that date to make a sale or loan after that date on terms that were permitted at the time of the commitment but are not permitted under the terms of the amendment.

"This may be illustrated by a bona fide commitment made before March 23 to install a particular furnace on a 15% down payment. After that date the requirement is 20%, but if there is a valid contract, made before March 23, to grant the credit on a 15% down payment, this contract may be carried out. The same principle applies if the commitment relates to an article added to the list by the amendment.

"However, as indicated in W-12 which discussed commitments made before September 1, 1941, in any such case there must actually be a valid contract and not merely the form or appearance of a contract. The principles stated in that interpretation should be consulted in this connection. If the requirements stated in W-12 are met, it would not alter the case that the commitment is accompanied by a form of 'lay-away' or partial prepayment plan."

Approved unanimously.

Letter to Mr. Turman, Counsel of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your letter of March 3, 1942, to Mr. Solomon regarding the effect of section 8(a)(2) of Regulation W upon an instalment sale of a repossessed automobile.

"The Board has had occasion to consider this question in other connections and has expressed the view

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"that, in the usual case where a Registrant repossesses an automobile and offers it for sale, section 8(a)(2) would not authorize the sale to be made on any terms other than the standard requirements of the regulation.

"The Board has also considered two related but somewhat unusual cases. In the first of these the finance company repossessed the automobile, but before it was sold at public auction the customer advised the finance company that he could pay the remaining balance if the payments were reduced. The Board expressed the view that section 8(a)(2) would permit the Registrant to revise the contract by reducing the payments if the Registrant deemed such action necessary for his own protection.

"In the second case the car was repossessed and sold at public auction, the finance company being the purchaser. Thereafter the customer made a similar statement and the finance company wished to reinstate the deal and let him have the car without a one-third down payment. The Board expressed the opinion that the Registrant might also reinstate the contract in this case if he deemed it necessary for his own protection, since the Registrant would not be making a new sale to a third party but would still, in effect, be dealing with the defaulted obligation.

"You will note, however, that both these cases turned upon the fact that the original obligor and obligation were, in effect, still involved, and that neither of these cases alters the general principle that section 8(a)(2) does not authorize a repossessed automobile to be sold on any terms other than the standard requirements of the regulation."

Approved unanimously.

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

"This is in reply to your letter of March 2 with further reference to the questions submitted in your letter of February 18 regarding the effect of Regulation W upon the sale of a repossessed automobile.

"The Board's letter of March 3 discussed two cases in which a dealer, after repossessing an automobile,

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"reinstates the contract with the original purchaser, with modified terms, and said that in the cases described in the letter no down payment was required because the Registrant was 'not making a new sale to a third party but is still in effect dealing with the defaulted obligation.'

"However, your letter of March 2 presents a case where there is a sale to a purchaser other than the original obligor, and although there may be unusual situations, it would seem that the question is answered by the Board's wire of November 15, 1941 to Mr. Phillips stating that in the usual case where a Registrant repossesses an automobile and offers it for sale, section 8(a) would not authorize the resale to be made on terms not complying with the Regulation."

Approved unanimously.

Letter to Mr. R. Leslie Kelley, Editor of the Kelley Blue Book, Los Angeles, California, reading as follows:

"This is in reply to your letter of March 23 addressed to the attention of Mr. Dembitz. The following numbered paragraphs are in reply to the questions of the same numbers in your letter:

"1. With respect to the possible designation of the Kelley Blue Book for purposes of Regulation W in the states of Montana, New Mexico, Texas, Oklahoma, Arkansas, and Louisiana, it has been the understanding of the Board that the market for used automobiles in those states has been sufficiently different from the market in California that a compilation of the estimated average retail values of used cars reflecting the California market would not be representative of the markets in such other places. The Board would be very glad to give consideration to any data that you may wish to submit that may indicate the facts to be otherwise.

"2. 'The Official Guide' published by Pacific Auto Guide, Inc., Los Angeles, has been designated for the states of Arizona, California, Idaho, Nevada, Oregon, Utah, and Washington.

"3. 'Northwest Used Car Values', published by the Northwest Publishing Company, Seattle, has been designated

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"for the states of Idaho, Oregon, and Washington.

"6. The Board's designation of the 'Kelley Blue Book' was intended to apply to the March-April issue during the month of April and to the May-June issue during the months of May and June. The question whether the May-June edition should also be included among the publications designated for purposes of Regulation W for some period prior to May 1 has not yet been given consideration by the Board; in case the Board should decide to change this designation so that it will apply to the May-June edition during some part of the month of April, you will be notified. Your comment with respect to the increase reflected in the March 25 issue of the District L Edition of the N.A.D.A. 'Official Used Car Guide' has been noted by the Board's staff but they have not yet had an opportunity to make any detailed comparison between this issue of the N.A.D.A. guide and the March-April issue of the Kelley Blue Book.

"10. It is our impression that you contemplate changing the name of your publication to 'Kelley Official Blue Book'. The Board will have no objection to designating a publication of that name in lieu of its designation of the 'Kelley Blue Book'; please notify the Board if you decide to make this change.

"The Board has not yet given detailed consideration to the various questions raised in paragraphs numbered 4, 5, 7, 8 and 9 of your letter, which will be answered as soon as possible."

Approved unanimously, together with
a letter to Mr. M. E. Peters, President
and Editor of The Official Guide, Los
Angeles, California, in the following
form:

"This will acknowledge your letter of March 24 relating to the inclusion of The Official Guide among the guides designated for purposes of Regulation W in seven western states. The Board appreciates very much your expression of cooperation in this matter.

"It is noted that in your opinion the selling prices quoted in the March-April issue of The Official Guide are approximately 10 per cent under today's market values and that, in accordance with the Board's request of March 21

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"that we be notified in advance of any substantial change in the basis of your quoted retail prices, you inquire as to the Board's attitude on the possible issuance of a statement by you to your subscribers to the effect that the retail prices in your Guide may be raised 10 per cent. The Board's designation of your Official Guide, however, was intended to apply during the month of April to the March-April issue, and the Board is not prepared at this time to extend the designation to a supplementary statement which would in effect replace this issue by an issue quoting retail prices 10 per cent higher.

"You also inquire as to the Board's attitude with respect to your making a similar 10 per cent increase in your May-June issue when it is published. The Board has not yet given detailed consideration to the matter of a policy with respect to this and similar inquiries, which will be answered as soon as possible."

Letter to the Jacobs Wind Electric Company, Inc., Minneapolis, Minnesota, reading as follows:

"This is with reference to your letter of March 21, 1942, concerning the application of the Board's Regulation W to credit sales of wind electric plants. You suggest that such credit sales should not be included within the scope of the regulation.

"The attention of the Board has been called to this product on several occasions and careful consideration has been given to the question of its treatment under the regulation.

"One of the principal objectives of the regulation in curtailing credit is to reduce the opportunity and inducement for civilians to make unnecessary purchases of goods of the class to which these electric plants belong. The requirement of an 18-month maturity with no down payment seems to the Board very liberal in contrast with the requirement for similar goods of 33-1/3 per cent down and 15 months maturity. It was in recognition of their relation to farm activities and residential improvement that such plants were not included in the list under more severe requirements.

"The Board knows that you will appreciate the necessity for balancing the war needs for materials against

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"civilian requirements. The Board's decision in this matter has been made with the full realization that there will be individual cases of inconvenience and delay, but it is believed that the serious problems of today can only be met by measures of this kind."

Approved unanimously.

Letter to Senator Robert F. Wagner, Chairman of the Senate Committee on Banking and Currency, reading as follows:

"This is in reply to your letter of December 27, 1941, requesting an opinion as to the merits of the bills S. 2146, 2147, and 2148 which would amend the Home Owners' Loan Act of 1933, Title IV of the National Housing Act, and the Federal Home Loan Bank Act. The Board believes that the enactment of these bills would not be desirable in the public interest.

"When your Committee was giving consideration to the bill S. 4095 during the third session of the 76th Congress, you requested the views of the Board as to the merits of that bill. In response to this request, the Board filed a report, and Messrs. Marriner Eccles and Ronald Ransom testified at hearings on the bill, in opposition to its enactment. For the ready reference of your Committee, a copy of the adverse report which the Board filed on S. 4095 is enclosed herewith.

"In general, the Board objected to the enactment of S. 4095 because, as stated in its report, such enactment 'would represent a material departure from the original idea behind their (building and loan associations and similar institutions) creation and would so enlarge the field of their permissible operations and the sources from which they could attract funds that it may be considered as having the effect of establishing a separate and complete banking system'. It was further pointed out that 'as between Home Loan Bank members and savings banks, savings departments of commercial banks and other financial institutions, the bill would strengthen and increase competitive advantages of the Home Loan Bank group which are not enjoyed by the others'. Although the provisions

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"of S. 4095 which would have extended certain tax exemption to State-chartered associations and would have reduced the premium rate on Federal Savings and Loan insurance are not contained in the bills S. 2146, 2147, and 2148, still, the principal provisions of these three bills in other respects are substantially the same as those contained in the bill S. 4095.

"Therefore, the Board feels that these bills are subject to the same fundamental objection which it offered to the enactment of S. 4095 and should not be enacted."

Approved unanimously.

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

"Due to delay at War Department in setting up their organization to handle new war production credit procedure, conference scheduled for Monday is postponed until Tuesday or Wednesday. Will wire definitely before Saturday noon. Please advise your wishes regarding hotel reservations."

Approved unanimously.

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

"Meeting which was called for Monday will be held on Wednesday at nine a.m."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

[Signature]
Chairman.