A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, April 4, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, 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:

Telegram to Mr. R. Leslie Kelley, President of the Kelley Kar Company, Los Angeles, California, reading as follows:

"Replying your letters March 23 and 30. Board expects each publication to quote average retail values of used cars in its territory, as estimated to best of publisher's ability. If your estimates of average retail values of reconditioned used cars in average condition during May and June are higher than figures shown in March-April book, Board expects that you will quote such higher figures. For purposes of Regulation W, however, it should be noted that Board's intention has been to designate manuals quoting values of reconditioned cars in average condition, as distinguished from manuals revised to meet cars in exceptional condition, Board being aware that exceptional vehicles might be worth 10 per cent more as stated in your January-February book, and Board has difficulty in reconciling your proposed change in basis of quotations with statements on page 7 of your March-April book and of your January-February book that 'This service reflects market as it is today'. More specific advice than foregoing not available at this time; whole question of guidebook designations must necessarily be under constant review."

Approved unanimously.

4/4/42

Letter to Ben Feferman Motor Sales, South Bend, Indiana, reading as follows:

"This will acknowledge your telegram of March 28 with respect to the recent amendment of Regulation W.

"It is not clear whether you are aware that Part 3(b) of the Supplement to Regulation W as amended effective April 1 prohibits the maximum credit value assigned to a used car from exceeding a figure based on the retail value of the given make and model as shown in any one of the designated guides but does not deal with wholesale prices. The regulation does not prohibit the sale of automobiles at more than the guide book values, although it does require that the credit value be limited to 66-2/3 per cent of the appraisal guide value, with the result that a higher percentage down payment is required on sales above the appraisal guide value.

"The Board will be observing the effects of this provision and will, of course, be prepared to amend it in the event that its net effect proves to be undesirable. In case you find, after operating under this provision, that there are additional facts that should be brought to the Board's attention we shall be glad to hear from you further."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

M S Eccles
Chairman.