

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 9, 1942, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
 Mr. Ransom, Vice Chairman
 Mr. McKee
 Mr. Draper
 Mr. Evans

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 April 8, 1942, were approved unanimously.

Memorandum dated April 6, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Duncan M. Holthausen be appointed as a junior economist in that Division, with salary at the rate of \$3,600 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.

Approved unanimously.

Memorandum dated April 4, 1942, from Mr. Nelson, Assistant Secretary, recommending that Woodley Boothe, laborer, and Thomas G. Cook, chauffeur, be promoted to the position of guard in the Secretary's Office for an indefinite period, and that the salary of each be

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increased to \$1,380 per annum from \$1,320 and \$1,200 per annum, respectively, effective April 16, 1942.

Approved unanimously.

Letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"In view of the circumstances set forth in your letter of April 2, 1942, the Board of Governors approves, effective May 1, 1942, the payment of salaries in excess of the maximum annual salaries provided in the personnel classification plan of your Bank for the positions occupied as follows:

<u>Name</u>	<u>Position</u>	<u>Annual salary</u>
W. D. Durran	<u>Los Angeles</u> Chief Clerk	\$4,500
D. E. Simms	<u>Salt Lake City</u> Accountant	4,000"

Approved unanimously.

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

"Reference is made to your letter of March 12, 1942, with which you enclosed form F. R. 105b for Del Rio Bank & Trust Company, Del Rio, Texas, and form F. R. 220 for its affiliate, Val Verde Wool & Mohair Company, Inc., Del Rio, Texas, compiled as of December 31, 1941.

"It appears that until the examination as of January 21, 1942, the bank was of the impression that, as was incorrectly stated in the report of examination as of May 7, 1941, the affiliate relationship had been terminated by increasing the number of directors of the bank from 5 to 7. It also appears from your letter that the affiliate has since repaid to the bank its indebtedness of \$8,000 reported in the latest report of examination as a violation of section 23A of the Federal Reserve Act. In the circumstances, the Board will not insist upon the publication of the

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"affiliate reports as of past call dates.

"On the basis of the available information, it is assumed that the affiliate relationship exists because directors of the member bank constitute a majority of the directors of Val Verde Wool & Mohair Company. However, instead of so stating, the report of examination as of January 21, 1942, states: 'Affiliated by reason of the fact that the bank directors Boothe, Drisdale, and Miers own the entire capital stock of the concern.' The fact that this inaccurate explanation of the affiliation was repeated, in substance, in the bank's report on form F. R. 220 indicates that the bank is not yet correctly informed concerning the pertinent statutory provisions.

"When forms are sent to the bank for submitting reports as of the next call date, it may be advisable to direct its attention to the definition of the term 'affiliate' quoted on form F. R. 220b, and to the waiver provisions printed thereon setting forth the circumstances in which the Board waives the requirement for the submission of reports of affiliates."

Approved unanimously.

Letter to The Honorable James V. Forrestal, Under Secretary of the Navy, reading as follows:

"Please accept our thanks for your letter of April 8, 1942, advising that Regulation V, the maximum rate of interest and guarantee fees, as set forth in Chairman Eccles' letter of April 6, 1942, are satisfactory to the Navy Department.

"We note your statement that it is understood that either the rate of interest or the schedule of fees may be modified from time to time as may appear desirable to fit changed conditions or the exigencies of a particular case, subject to the prior approval of the Navy Department. We believe this matter is covered by section 6 of the Regulation, which provides that rates and fees will be prescribed from time to time, either specifically or otherwise, by the Board of Governors after consultation with the War Department, Navy Department or Maritime Commission and with the Federal Reserve Banks.

"In the schedule entitled 'Guarantee Charges on Portion of Loan Guaranteed' as set forth in the letter of

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"April 6, 1942, under the heading 'Percentage of Loan Guaranteed', there were the following items: '91 - 100%'; '75 - 90%'; and 'Up to 75%'. Mr. Clayton, of the Board of Governors, has discussed with Mr. Kenney of the Navy Department, the desirability of a slight change in these items in order to eliminate any possible uncertainty and to maintain the regularity of the various steps in the schedule. It is understood that these changes are acceptable to the Navy Department and accordingly the items in question will be changed to read: '91 - 100%'; '76 - 90%'; and 'Up to 75% (inclusive)'."

Approved unanimously, together with
a letter to Rear Admiral Emory S. Land,
Chairman of the United States Maritime
Commission, in the following form:

"Please accept our thanks for your prompt letter advising that the proposed regulation and the maximum rate of interest and the guarantee fees, as set forth in Chairman Eccles' letter of April 6, 1942, are satisfactory.

"In the schedule entitled 'Guarantee Charges on Portion of Loan Guaranteed' as set forth in the letter of April 6, 1942, under the heading 'Percentage of Loan Guaranteed', there were the following items: '91 - 100%'; '75 - 90%'; and 'Up to 75%'. Mr. Clayton, of the Board of Governors, has discussed with Mr. Anderson of the Maritime Commission, the desirability of a slight change in these items in order to eliminate any possible uncertainty and to maintain the regularity of the various steps in the schedule. It is understood that these changes are acceptable to the Maritime Commission and accordingly the items in question will be changed to read: '91 - 100%'; '76 - 90%'; and 'Up to 75% (inclusive)'."

Letter to Mr. Hale, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of your letter of March 27 regarding the applicability of Regulation W to a loan evidenced by two separate notes under conditions which may be briefly described as follows:

"A dealer took an application for a \$1,345 Title I Class I loan which was approved by a bank for a term of

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"36 months, with the further understanding that a reasonable increase in the amount of the loan would be allowed if necessary to complete the contemplated work. After the first part of the work was finished and the amount of the loan disbursed to the dealer, the borrower applied for \$500 more to pay for additional improvements. Inasmuch as the original loan had already been reported for Federal Housing Administration insurance, the dealer desires to take the borrower's unsecured note for the additional advance on a 36 months' term, but the bank asks whether this is permissible.

"The Board agrees with your view that if the loan record establishes beyond doubt that the original and supplemental advances are part of the same transaction, the transaction will not violate the Regulation even though it is represented by two notes so long as both are held by one lender, although it would be desirable that, wherever feasible, the obligation be consolidated into one note.

"In this case you say that the need for the additional advance arises out of work undertaken with the understanding that the loan would be increased to provide for such expenditures, and therefore it would seem that the transaction will not violate the Regulation. However, a note for less than \$1,000 covering alterations or repairs would obviously not be exempt merely because the obligor's total indebtedness for alterations or repairs happened to exceed \$1,000. In the present case \$500 seems a rather large amount merely to complete a job that was originally planned at \$1,345, and further question is raised by the fact that this \$500 is described as being for 'additional improvements'.

"Each case necessarily must depend upon all the relevant facts involved, but it is hoped that these views of the Board will be of assistance to you in such cases."

Approved unanimously.

Letter to Mr. G. A. Leukhart, General Manager of the National Used Car Market Report, Inc., Chicago, Illinois, reading as follows:

"This is in reply to your letter of March 25 with respect to the designation of automobile appraisal guides for purposes of Regulation W.

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"The Board has now included Blue Book National Used Car Market Report - Executives Edition among the automobile appraisal guides designated for purposes of Regulation W in the following territories in addition to the territories set forth in the Board's letter of March 21:

'Retail sales values'
for Zone No. 4.....

Minnesota (except the 15 counties for which 'Retail sales values' for Zone No. 5 are designated)
Texas (except the 6 counties for which Zone No. 5 is designated)

'Retail sales values'
for Zone No. 5.....

Colorado
Following 15 counties in Minnesota - Big Stone, Clay, Kittson, Lac qui Parle, Lincoln, Marshall, Norman, Pennington, Pipestone, Polk, Red Lake, Rock, Traverse, Wilkin, Yellowmedicine
Montana
New Mexico
Following 6 counties in Texas - Brewster, Culberson, El Paso, Hudspeth, Jeff Davis, Presidio
Wyoming

"It is not entirely clear from your letter whether you believe that the retail sales values quoted in your Executives Edition for Zones 4 and 5 most nearly represent the current average prices of reconditioned used cars in the respective territories specified above or whether you have determined to change the zones specified in your publication in such a manner as to secure this additional designation by the Board. The Board has no desire to set forth the prices that the designated guides are to quote for used automobiles in any particular territory, and if it is your opinion that some different basis of quoting prices or setting up your 'zones' would be productive of more accurate quotations of retail sales values, it is earnestly requested that you give the Board the benefit of your opinions on the subject.

"Further consideration is being given to your suggestion that the Board include your Red Book and your

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"Executives Edition among the appraisal guides designated for the Detroit area."

Approved unanimously.

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

"Please instruct weekly reporting member banks to report, beginning April 15, any holdings of 'Treasury certificates of indebtedness' as a separate item immediately preceding their holdings of Treasury bills in weekly condition reports on form F.R. 416. Holdings of such certificates should also be listed separately in your transcripts of such reports sent to Board. Code word 'PYRE' will designate such securities in weekly member bank condition reports and statements. In your Bank's balance sheets, form 34, and in weekly statements, holdings of such certificates, if any, should be reported following holdings of Treasury bills. In Board's weekly Federal Reserve 'COND' telegram, such certificates will be designated by code word 'BUTE'."

Approved unanimously.

Letter to Mr. Jack Corbett of the Board of Economic Operations, Department of State, reading as follows:

"In accordance with your conversation with Mr. Knapp of the Board's staff, I have pleasure in giving you the following confidential information concerning the terms and conditions upon which the Federal Reserve Bank of New York carries the accounts of foreign central banks and governments, and in particular the account of the Banco Central de Bolivia.

"Sections 14(e) and 14(g) of the Federal Reserve Act give the Board of Governors certain supervisory duties with respect to foreign accounts at the Federal Reserve Banks, and pursuant to these sections, the Board authorizes Federal Reserve Banks to open accounts in the names of foreign central banks and governments in accordance with a standard form of agreement approved by the Board. In practice this agreement takes the form of an exchange of

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"correspondence between the Federal Reserve Bank of New York and the foreign central bank or government in the name of which the account is to be held. On December 1, 1937, the Federal Reserve Bank of New York addressed a letter to the Banco Central de Bolivia corresponding to the form which is enclosed for your confidential information. The Banco Central, in a letter dated May 4, 1940, returned to the New York Bank a carbon copy of its letter of December 1, 1937, having appended an appropriate signed acceptance of the terms and conditions set forth in the letter."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. S. [Signature]
Chairman.