

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, April 10, 1942, at 11:30 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 9, 1942, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held with the executive committee of the Federal Advisory Council on April 9, 1942, were approved unanimously.

Telegrams to Mr. Treiber, Assistant Secretary of the Federal Reserve Bank of New York, Mr. Leach, President of the Federal Reserve Bank of Richmond, Messrs. Dillard and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, Mr. Ziemer, Vice President of the Federal Reserve Bank of Minneapolis, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr.

4/10/42

-2-

Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on April 7 and by the Federal Reserve Banks of New York, Richmond, Chicago, St. Louis, Minneapolis, and Dallas on April 9, 1942, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated April 8, 1942, from Mr. Carpenter to the Board's Personnel Committee, referring to the procedure previously authorized by the Board with respect to the selection of officers and employees of the Board of Governors and the Federal Reserve Banks to attend the Graduate School of Banking at Rutgers University, and recommending that Mr. Horbett, Assistant Chief of the Division of Bank Operations, be selected to attend the 1942 resident session of the Graduate School of Banking, with the understanding that he will be allowed the necessary leave with pay in addition to regular annual leave and be reimbursed for his transportation expenses from Washington, D. C., to New Brunswick, New Jersey, and return, and for his registration and resident and extension tuition fees. The recommendation had been approved by the Personnel Committee. The memorandum also stated that Raymond J. Collier, junior economist who began the Graduate School

4/10/42

-3-

course last year, would not attend this year because of an impending call to active military service but that he had expressed the hope that the Board would permit him to complete the course of study when he returned.

Approved unanimously.

Memorandum dated April 8, 1942, from Mr. Nelson, Assistant Secretary, recommending that James D. Crawford, a guard in the Secretary's Office, be granted leave of absence without pay beginning April 15, 1942, so that he might enter active duty with the United States Marine Corps Reserve, and that he be granted the benefits provided in 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. Clark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"Receipt is acknowledged of your letter of April 2, 1942, with further reference to the reappointment of R. Paul Wilson as an assistant examiner for your bank.

"In view of the circumstances involved and the recent discussions with President McLarin, the Board approves the appointment of Mr. Wilson as a regular assistant examiner. Please advise us of the effective date."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, reading as follows:

4/10/42

-4-

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that The State Bank of Marathon City, Marathon, Wisconsin, became a member of the Federal Reserve System on April 9, 1942, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

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

"We are advised that form of War Department's guarantee agreement for operations under Executive Order 9112 has been approved but official approval is not yet in our hands. Hope to be able to wire text of form to you later today or early Saturday. Referring to Board's telegram of April 9, 1942, following is text of press release just issued for publication in morning newspapers of April 11:

'The Board of Governors of the Federal Reserve System announced today adoption of Regulation V to carry out the President's Executive Order No. 9112 of March 26, 1942, for the purpose of facilitating and expediting the financing of war production. The Regulation was adopted after consultation with the War Department, the Navy Department, and the United States Maritime Commission following conferences in which representatives of the War Production Board participated.

4/10/42

-5-

"The objective, as set forth in Regulation V, is to facilitate and expedite production for war purposes by arranging for the financing of contractors, subcontractors and others engaged in businesses or operations deemed by the armed services and the Maritime Commission to be necessary for the prosecution of the war.

'The War Department has sent initial instructions to the Federal Reserve Banks covering the authority and procedure to be followed by them in acting for the War Department under the Board's Regulation. The program embraces financial aid for contractors and subcontractors, both large and small, and contemplates the maximum participation of small business enterprises in war production.

'Regulation V prescribes general rules and policies to govern the operations of the twelve Federal Reserve Banks, which will act as fiscal agents of the armed services and the Maritime Commission in carrying out the President's Executive Order. The utilization of the facilities of the twelve Federal Reserve Banks and their twenty-four branches throughout the United States makes it possible to decentralize the war financing program to a large extent. The program looks to the fullest possible participation by the banks of the United States, whether members or nonmembers of the Federal Reserve System, in the financing contemplated under the authority of the President's Executive Order.

'Under the Executive Order the three military procurement agencies are authorized to guarantee commercial banks, Federal Reserve Banks, the Reconstruction Finance Corporation, or other financial institutions against loss on loans made to concerns to finance the performance of war orders. The primary aim is to expand and expedite war production. Accordingly, peacetime credit rules or standards, as the President stated at the time of signing the Executive Order, must not be permitted to hold up production of war supplies needed by the armed forces.

'The Board's Regulation authorizes the Federal Reserve Banks, acting in accordance with the

4/10/42

-6-

"provisions of the President's Executive Order and the instructions of the three military procurement agencies, to arrange loans and guarantees thereof wherever it is believed that they will contribute to the obtaining of maximum war production expeditiously.

'To assist in carrying out the provisions of the President's Executive Order and to aid in decentralizing operations under it as fully as possible, the War Department plans to have a liaison officer stationed at each Federal Reserve Bank. Generally speaking, the liaison officer will certify to the Reserve Bank that an applicant for financing is qualified from the technical or production standpoint to carry out a contract, subcontract or order for war supplies or equipment.

'It is expected that any applicant will first take up his credit needs with his commercial bank or other financing institution. When the necessary credit cannot be arranged by the financing institution without the assistance of the War Department, the financing institution will apply to the Federal Reserve Bank for a guarantee of a part or all of the proposed financing. After certification by the liaison officer, it will be the Reserve Bank's function to analyze the financial aspects of the application including the integrity of the management, and determine the type of financing best suited to meet the situation.

'Under the initial instructions of the War Department, and upon appointment of liaison officers, guarantees or loans up to a prescribed maximum to be determined by the War Department will be made at the Federal Reserve Bank without reference to Washington.

'Attached is a copy of Regulation V.'

Approved unanimously.

Telegram to Mr. Hays, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Your wire March 31. Finance company may purchase

4/10/42

-7-

contract unless it shows on its face some noncompliance or unless at the time of purchase the finance company knows any fact by reason of which contract failed to comply with regulation. Accordingly section 3(a)(2)(B) (of Regulation W) does not require finance company to verify dealer's calculation of credit value by obtaining and consulting appropriate appraisal guide."

Approved unanimously.

Letter to Mr. M. E. Peters, President and Editor of The Official Guide, Los Angeles, California, reading as follows:

"This is in reply to your letter of March 30, and also in further reply to your letter of March 24.

"You state that previous issues of your Official Guide, including the March-April issue, have quoted retail prices about 10 per cent below the actual market, and have inquired as to the Board's attitude toward your proposal to change, in your May-June issue, to a higher basis of quotations which, in your opinion, would reflect the actual current market.

"If your estimates of average retail values of reconditioned used cars in average condition during May and June are higher than the figures shown in your March-April book, the Board would not object to the quotation of such bona fide higher figures. This is because the Board expects each designated appraisal guide to quote the average retail values of used cars in its territory, as estimated to the best of the publisher's ability. At the same time, the Board feels obliged to say that it has difficulty in reconciling the proposal to change your basis of quotations with the following statement in the Foreword to your March-April issue: 'The retail sales values are average quotations on reconditioned automobiles'.

"You also inquire concerning the Board's attitude towards a proposal that you bring out a new issue during the early part of April -- presumably your May-June issue -- which the Board would include among the guides designated for the remainder of the month of April. This appears to the Board to be essentially the same proposal as the one on which the Board has already expressed its disapproval in its letter of March 27.

4/10/42

-8-

"The Board is pleased to note your statement of the policy that you have followed in connection with the distribution of your guide. As you suggest, the Board feels that the use of designations under Regulation W in a promotional way to advance the interests of a particular guide book is distinctly undesirable. The Board hopes that publishers will refrain from such practices because it wishes to avoid the necessity of specifying in detail the language and methods that publishers may use if they wish to retain their designations."

Approved unanimously.

Letter to Mr. S. F. D. Meffley, Special Representative of the Recording & Statistical Corporation, Chicago, Illinois, reading as follows:

"This is in reply to your letters of April 6 and April 7.

"You are correct in your understanding that the Board's designation of certain automobile appraisal guides for purposes of Regulation W does not indicate any finding by the Board as to the accuracy or correctness of the prices shown in such guides or of their methods of compilation, that the Board does not require or recommend the use of any particular service exclusively, and that the non-designation of the Official Automobile Guide published by your corporation does not reflect in any way upon the relative accuracy of this and other publications. You have indicated that the Official Automobile Guide is used extensively by insurance companies and others for underwriting, adjustment, and other insurance purposes, as distinguished from purposes of Regulation W which relates to consumer credit, and the Board sees no reason why the non-inclusion of this guide among those designated for purposes of Regulation W should in any manner prevent the insurance companies from continuing the use of this guide for underwriting and adjustment purposes.

"You indicate in your letter of April 7 that you may at some later time desire to have the Board give consideration to the inclusion of your Official Automobile Guide among the publications designated for purposes of Regulation W, and you may be assured that the Board will be glad to



4/10/42

-9-

"give consideration to this matter if you should so desire."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

[Signature]  
Chairman.