

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, April 17, 1942, at 11:00 a.m.

PRESENT: 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 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 April 16, 1942, were approved unanimously.

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Messrs. Treiber and Post, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, and Messrs. Dillard and Hale, Secretaries of the Federal Reserve Banks of Chicago and San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on April 14, by the Federal Reserve Banks of New York, Atlanta, Chicago, and San Francisco on April 16, 1942, and by the Federal Reserve Banks of Boston and Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

4/17/42

-2-

Memorandum dated April 16, 1942, from Mr. Nelson, Assistant Secretary, recommending that Fred Parquette be appointed as a guard 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.

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

"In accordance with the request contained in your letter of April 10, the Board approves the appointment of Maurice H. Griffith as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise us of the effective date."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of April 7, the Board approves the appointment, effective April 16, 1942, of Roger K. Grobel as an examiner for the Federal Reserve Bank of Minneapolis.

"You are correct in the assumption that the designation of Mr. Tillander as Chief Examiner does not require approval of the Board since his appointment as an examiner has been approved."

Approved unanimously.

4/17/42

-3-

Letter to the board of directors of "The First State Bank of Hotchkiss, Colorado", Hotchkiss, Colorado, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City.

Approved unanimously, together with a letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The First State Bank of Hotchkiss, Colorado', Hotchkiss, Colorado, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the State Bank Commissioner for the State of Colorado for his information.

"Since the amount of estimated losses classified in the report of examination for membership is relatively small, the usual condition regarding the elimination of losses has not been prescribed. It has been noted, however, that the amount classified was to have been charged off or otherwise eliminated within 30 days from the date of examination."

Telegram prepared for the signature of Mr. Draper to the Presidents of all the Federal Reserve Banks, reading as follows:

"It is apparent that many bankers assume that 100 per cent guarantees of war production loans by War Department are available when desired by financing institutions. While the War Department has not stated that it will not make any 100 per cent guarantees, it is clear that it is the Department's policy to make such

4/17/42

-4-

"guarantees only in exceptional cases. If 100 per cent guarantees are demanded in other than extreme cases, some other means of financing war production may have to be found. Without any formal announcement, it is suggested that in your contacts with banks and other lending institutions you advise them as to the War Department's attitude respecting 100 per cent guarantees."

Approved unanimously.

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

"We have received from the War Department a memorandum from Brigadier General W. D. Styer for the Commanding General, Services of Supply, setting forth specimen signatures of each of the officers named in General Styer's memorandum of April 6, 1942. We are enclosing herewith a photostat of the memorandum, the original of which is being retained in the Board's files.

"There is also enclosed a photostat of a letter addressed to the Board by the Honorable Robert P. Patterson, Under Secretary of War, dated April 14, 1942, modifying the instructions which were issued by the War Department to the Federal Reserve Banks under date of April 8, 1942; and for your convenience in determining the changes made in the instructions, there is enclosed a mimeographed copy of such instructions in the form referred to in Mr. Patterson's letter. You will note that the instructions as modified refer to financial contracting officers who are assigned to duty in the Services of Supply, War Department, Washington, D. C. In this connection, there is enclosed a photostat of a memorandum which we have received from Colonel E. T. Comegys, Chief, Advance Payment and Loan Section, stating that the financial contracting officers designated in General Styer's memorandum of April 6, 1942 'are assigned to duty in the Services of Supply, War Department, Washington, D. C.'"

Approved unanimously, together with a letter to Mr. Hays, Vice President and Secretary of the Federal Reserve Bank of Cleveland, in the following form:

4/17/42

-5-

"This refers to your wire of April 16, 1942, raising certain questions with respect to authorizations given by the War Department in connection with the execution of guarantees, the making of loans, etc., under Executive Order No. 9112.

"With respect to your question regarding the authenticity of authorizations for the execution of guarantees which are sent out over the Leased Wire System, the following procedure will be adopted. As we have previously advised you, the War Department has furnished us with specimen signatures of those officers who were designated in Brigadier General Styer's memorandum of April 6, 1942, as financial contracting officers with authority to authorize the execution of guarantees, the making of loans, etc., under Executive Order No. 9112. Before advising you by wire of an authorization for the execution of a guarantee given by an officer of the War Department, we will compare the signature of the officer with the specimen signature of such officer on file with us and will satisfy ourselves that the authorization has been given by one of the duly designated financial contracting officers of the War Department. We will forward you by mail the original of the authorization, retaining a photostat of such authorization in the Board's files. While we have not yet contacted the Navy Department and the United States Maritime Commission with respect to this matter, it is assumed that a similar procedure will be worked out in connection with authorizations given by officers of those agencies.

"We have communicated to the War Department your suggestion that a standard wording be adopted in instructions to the Reserve Banks which would authorize the execution of a 'Guarantee Agreement' in the standard approved form, rather than wording which simply authorizes a Reserve Bank to issue a guarantee with respect to a particular loan; and the War Department has advised us informally that this suggestion will be adopted."

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

"We expect to discuss with the War Department in the near future the type of reports it will want to receive from the Federal Reserve Banks currently and periodically with respect to loans guaranteed by the

-6-

4/17/42

"Federal Reserve Banks as fiscal agents of the United States on behalf of the War Department. Pending the preparation of forms on which such information will be reported, it will be appreciated if you will mail to the Board a report in duplicate on Form F. R. 577 covering each loan guaranteed. A copy of this form is enclosed and a supply is being forwarded to you under separate cover."

Approved unanimously.

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

"This will acknowledge receipt of your letter of April 14, 1942, addressed to Governor Draper, with regard to certain questions as to guarantees on behalf of the War Department. We have conferred with a representative of the War Department with regard to this matter and have been advised as follows:

"With respect to your first question, we understand that the War Department does not at this time contemplate furnishing you with printed forms of the guarantee agreement but anticipates that each Federal Reserve Bank will prepare a supply of these for its own use. However, in view of the possibility that it may be desirable, in the light of experience, to make revisions in the form at some time in the near future, you may wish to make use of mimeographed forms for the time being.

"Regarding your second question, a standard form of application for the use of all Reserve Banks in this matter has not been prepared by the War Department. If experience should indicate that such a form is necessary, the War Department will be glad to prepare at a later date a standard form of application with the assistance of the Reserve Banks. In the meantime, it is suggested that a Reserve Bank obtain such information as it deems necessary in the circumstances of each case.

"With regard to your third question, the War Department does not anticipate that there will be many cases involving a participation between a financing institution and the War Department. It does expect, however, to prepare as soon as possible a standard form

4/17/42

-7-

"of certificate for use in cases where the War Department is called upon to take over a portion of a loan in accordance with its guarantee to a financing institution."

Approved unanimously.

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

"Receipt is acknowledged of your letter of April 3 regarding the question whether a bank which discounts instalment contracts is required by section 3(a)(2)(B) of Regulation W to ascertain whether the price at which the article was sold conformed to the limitations contained in Part 4(b) of the Supplement.

"A few days ago, the Board advised another Federal Reserve Bank that section 3(a)(2)(B) does not require a finance company to obtain and consult the appropriate Appraisal Guide in order to verify the dealer's calculation of the credit value (Part 3(b)(2) of the Supplement), and the same principle should be applied in answering the question raised in your letter."

Approved unanimously.

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

"This is in reply to your letter of April 9 with respect to the application of Part 3(b) of the Supplement to Regulation W to a case in which the automobile for which the 'appraisal guide value' is being determined is equipped with a radio or heater or other special accessories.

"The form of letter that the Board used in notifying guide book publishers of their designations included the following paragraph:

It is noted that the _____ (date) _____ issue of your publication states that the values shown for the various models may be increased somewhat if the particular car is equipped with a radio or heater. The 'estimated average retail values' to be used for purposes of Regulation W should be

-8-

4/17/42

"values without any such additions for cars having a radio or heater, and it is suggested that your statement regarding such extra equipment be accompanied by the information that such additions should not be included in determining maximum credit values for purposes of Regulation W. Your publication also specifies an amount that may be added for cars with overdrive or automatic transmission as extra equipment; there is no objection to the inclusion of such amount in determining maximum credit values for purposes of Regulation W. (This paragraph to go only to publishers who recommend adding for radios or heaters.)

"Of the letters to publishers located on the Pacific Coast, the letter to the publisher of the 'Official Guide' included the foregoing paragraph with the reference to heaters deleted because the March-April issue of that publication did not include any additional value for heaters. The letter to the publisher of 'Northwest Used Car Values' mentioned 'radio or heater or 6 wheel equipment'. The letter to the publisher of the 'Kelley Blue Book' included the paragraph with the first two sentences changed to read as follows:

'It is noted that the March-April 1942 issue of your publication states that the values shown for the various models should be increased if the particular car has special equipment. The "estimated average retail values" to be used for purposes of Regulation W should be values without any such additions for radios or heaters, and it is suggested that your statement regarding such extra equipment be accompanied by the information that such additions for radios or heaters should not be included in determining maximum credit values for purposes of Regulation W.'

"It is recognized that some confusion may develop during the month of April because of the fact that some of the guide books that are in effect during this month were published before the appearance of Amendment No. 3 of Regulation W and therefore carry quotations for extra equipment which do not comply with the paragraph quoted above. It seems

4/17/42

-9-

"likely, however, that after May 1 there will be no further difficulty on this point."

Approved unanimously.

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

"Effective with the call for reports of condition of State bank members as of April 4, 1942, the published statements of State bank members and their affiliates submitted on forms F. R. 105e and 220a, respectively, should be examined and filed at your Bank. This supersedes in part the instructions contained in the memorandum accompanying the Board's letter of December 22, 1938 (S-136), which required such reports to be forwarded to the Board.

"Any differences found between such statements and the reports on forms F. R. 105 and 220 should be called to the attention of the banks concerned. If there are important differences, which in your opinion might warrant republication, the pertinent information should be forwarded to the Board with your recommendation."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 14, 1941, for the printing of Federal Reserve notes of the 1934 Series in the amounts and denominations stated for the Federal Reserve Bank of Philadelphia:

Denomi- nation	Number of sheets	Amount
\$10	175,000	\$21,000,000
20	50,000	12,000,000"

Approved unanimously.

Mr. Morrill suggested that the Board authorize the payment of the cost of luncheons served in the Board's dining room today to Mr. James F.

4/17/42

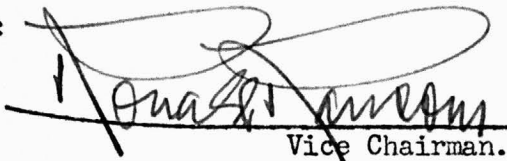
Twohy, Governor of the Federal Home Loan Bank System, and Mr. John H. Fahey, Chairman of the Federal Home Loan Bank Board.

Approved unanimously.

Thereupon the meeting adjourned.

Roberta Morrie
Secretary.

Approved:


Vice Chairman.