

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, April 30, 1942, at 11:00 a.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Thurston, Special Assistant to
the Chairman
Mr. Wyatt, General Counsel
Mr. Parry, Chief of the Division of
Security Loans
Mr. Thomas, Assistant Director of the
Division of Research and Statistics
Mr. Leonard, Assistant Chief of the
Division of Examinations
Mr. Chase, Assistant Counsel
Mr. Shay, Law Clerk
Mr. Hammond, Chief of the Correspondence
and Publications Section

ALSO PRESENT: Mr. F. B. Hubachek, Consultant in the
Consumer Credit Control Unit of the
Office of Price Administration

Mr. Ransom stated that, since the discussion at the meeting of the Board on Monday, April 27, there had been further discussions between members of the Board and the staff and representatives of interested outside agencies on the proposed Amendment No. 4 to Regulation W, Consumer Credit, and that a revised draft of the regulation had been prepared for consideration by the Board at this meeting. Copies of the latest draft were distributed, and Mr. Ransom stated that the primary objective of the amendment continued to be the reduction of the present outstanding volume of consumer debt by 3-1/2 to 4 billion dollars in a

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period of 12 months. In connection with this statement, Mr. Ransom distributed copies of a tabulation showing rough estimates of the total volume of outstanding consumer credit on December 31, 1941, and on April 30, 1942, and what the outstanding volume would be on April 30, 1943, if (1) no action were taken by the Board with respect to Amendment No. 4 to Regulation W and (2) in the event the amendment were adopted. The tabulation indicated that the estimated existing volume of \$8,400,000,000 would be reduced to \$6,100,000,000 irrespective of the amendment, and that the effect of the amendment would be further to reduce the total to \$4,700,000,000.

Mr. Ransom also distributed copies of a memorandum which summarized the important changes which would be made in Regulation W by the proposed amendment as follows:

1. This amendment would broaden greatly the list of articles. Articles added would include jewelry, clothing, and thousands of other articles as indicated by attached list.

2. It would tighten the regulation by increasing the standard down payment to 33-1/3 per cent (except for furniture, including pianos, raised from 10 to 20) and decreasing the standard maturity from 15 months to 12 months (except for automobiles, etc., left at 15). An additional tightening is a new rule requiring that instalment payments shall not be less than \$5.00 per month.

3. It would extend the coverage to include, in addition to instalment sales and instalment loans, charge account sales of listed articles and single-payment loans of \$1,500 or less--if not for business or agricultural purposes--whether or not they are for the purchase of listed articles. A feature of the method of covering charge accounts would be, in effect, to forbid the merchant to permit the customer to use the charge account if, after 40 days from the end of any given month, articles bought in the account have not been paid for or else put on a 6-month instalment basis. Single-payment loans put on approximately same basis as instalment loans.

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Mr. Ransom stated that, in addition to authorizing the Board of Governors to prescribe regulations with respect to extensions of instalment credit for the purpose of purchasing or carrying consumers' durable goods, the Executive Order under which Regulation W was issued authorized the Board, in order to prevent evasion of such regulations or in order to control forms of credit the use of which might defeat the purposes of the Order and such regulations, to prescribe regulations with respect to (1) other extensions of instalment credit, or (2) other extensions of credit for the purpose of purchasing or carrying consumers' durable goods, or (3) other extensions of credit in the form of loans other than for business or agricultural purposes. There had been some indication, Mr. Ransom said, that charge accounts and single-payment loans had been used to evade the provisions of Regulation W, and it was felt that these two types of credit should be covered by the regulation in order to prevent evasion of the provisions relating to instalment credit and to control forms of credit the use of which might defeat the purposes of Executive Order No. 8843 under which the regulation was issued.

On the question of the effective date of the amended regulation, Mr. Ransom stated that he had discussed that point with Chairman Eccles, and that it was recommended that, if acted upon by the Board today, it be made effective on Wednesday, May 6, 1942, that mimeographed copies be sent to the Federal Reserve Banks tomorrow and proofs for printing as promptly as possible, that the amended regulation be released for publication in the morning papers of May 6, 1942, and that

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a copy of the press statement be wired to the Federal Reserve Banks with a request that the release and amended regulation be held in confidence until the release date. There were strong opinions, he said, that the amendment should be made effective at a later date in order to afford those affected by the amended regulation an opportunity to become acquainted with its terms, and ordinarily that would be done, but in the present case it was his feeling that the amendment should be made effective as promptly as possible to prevent anticipatory buying and for the further reason that the amendment was a part of the President's announced program to combat inflation.

Mr. Williams, President of the Federal Reserve Bank of Philadelphia, came into the room during Mr. Ransom's statement.

At Mr. Ransom's request, Mr. Parry discussed the important changes that would be made in the regulation by the amendment. In the course of this discussion, the letter received under date of April 30 by Chairman Eccles from Mr. Henderson, Administrator of the Office of Price Administration and a member of the consultative committee created by section 1(c) of Executive Order No. 8843, with respect to the proposed amendment and to certain specific questions which Mr. Ransom had asked Mr. Hubachek to discuss with Mr. Henderson, was read. Mr. Hubachek amplified the reasons for the suggestion contained in the last paragraph of the letter that the Board include in the amendment requirements which would not be unduly burdensome to a legitimate business but which would lay a foundation for action by local law-enforcement

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officials. Mr. Ransom stated that he would not be willing to adopt that suggestion at this time for the reason that he felt it was premature.

At this point, Mr. Wingfield, Assistant General Counsel, and Mr. Hodgson, Administrative Assistant to the Chief of the Division of Security Loans, joined the meeting.

During the discussion of the question whether the provisions of Option 2 of section 10(b) of the amended regulation, which requires the payment of a consolidated obligation in a period of not to exceed 12 months, should be amended to shorten that period, Mr. Hubachek enlarged on the comments contained in Mr. Henderson's letter to the effect that the period should not be shortened. Mr. McKee felt that consideration should be given to reducing the period in recognition of the fact that the practice of add-ons was an unwholesome one and therefore should be discouraged. Mr. Ransom said that he had given very careful consideration to that point and had discussed it at length with representatives of the trade and the Board's staff and at the present time felt that the period should be fixed at 12 months.

Messrs. Wingfield, Hodgson, and Hubachek left the meeting at this point, and there was a further discussion of the question of the maximum period to be provided in Option 2 of section 10(b) of the regulation.

At the conclusion of the discussion, upon motion by Mr. Ransom, the following resolution was adopted by unanimous vote, with the understanding that the regulation would be sent to the Federal Reserve Banks and released to the press in accordance with the procedure suggested by Mr. Ransom earlier in this meeting:

Resolved, That Regulation W, Consumer Credit,

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be amended to read as follows, effective May 6, 1942, except as otherwise indicated in the regulation:

"SECTION 1. SCOPE OF REGULATION

"This regulation is issued by the Board of Governors of the Federal Reserve System (hereinafter called the 'Board') under authority of section 5(b) of the Act of October 6, 1917, as amended, and Executive Order No. 3843, dated August 9, 1941 (hereinafter called the 'Executive Order').

"The regulation applies, in general, to any person who is engaged in the business of making extensions of instalment credit, extending credit in charge accounts, making single-payment loans in amounts of \$1,500 or less, or discounting or purchasing obligations arising out of such extensions of credit. It applies whether the person so engaged is acting as principal, agent, broker or otherwise, and whether the person is a bank, loan company, or finance company, or a person who is so engaged in connection with any other business, such as by making such extensions of credit as a dealer, retailer, or other person in connection with the selling of consumers' durable or semi-durable goods.¹

"SECTION 2. DEFINITIONS

"For the purposes of this regulation, unless the context otherwise requires:

"(a) 'Person' means an individual, partnership, association, or corporation.

"(b) 'Extension of Credit' means any loan or mortgage; any instalment purchase contract, any conditional sales contract, or any sale or contract of sale under which part or all of the price is payable subsequent to the making of such sale or contract; any rental-purchase contract, or any contract for the bailment or leasing of property under which the bailee or lessee either has the option of becoming the owner thereof or obligates himself to pay as compensation a sum substantially equal to or in excess of the value thereof; any contract creating any lien or similar claim on property to be discharged by the payment of money or its equivalent; any purchase, discount, or other acquisition of, or any extension of credit upon the security of, any obligation arising out of any of the foregoing; and any transaction or

"¹/ The Executive Order defines 'consumers' durable good' as including 'any good, whether new or used, which is durable or semi-durable and is used or usable for personal, family or household purposes, and any service connected with the acquisition of any such good or of any interest therein.' Section 13(a) lists the consumers' durable and semi-durable goods within the scope of the regulation.

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"series of transactions having a similar purpose or effect.

"(c) 'Instalment Credit' means an extension of credit which the obligor undertakes to repay in two or more scheduled payments or as to which the obligor undertakes to make two or more scheduled payments or deposits usable to liquidate the credit, or which has a similar purpose or effect.

"(d) 'Sale' means a transfer of property for a price in money or its equivalent which the buyer pays or promises to pay to the seller for the thing bought or sold. It includes a lease, bailment, or other transaction which is similar in purpose or effect to a sale.

"(e) 'Instalment Sale' means an instalment credit which is made, as principal, agent or broker, by any seller of any consumers' durable or semi-durable good listed in section 13(a) (hereinafter called a 'listed article') and which arises out of a sale of such listed article.

"(f) 'Charge Sale' means an extension of credit (other than instalment credit) which is made, as principal, agent or broker, by any seller and which arises out of a sale of any article, whether listed or unlisted.

"(g) 'Charge Account' means the indebtedness arising from charge sales between the same seller and purchaser.

"(h) 'Instalment Loan' means an instalment credit, other than an instalment sale, in the form of a loan which is in a principal amount of \$1,500 or less; but the definition does not include any loan upon the security of any obligation which arises out of any instalment sale or instalment loan.

"(i) 'Single-payment Loan' means an extension of credit in the form of a loan to one or more individuals (other than a partnership), which is repayable in a single payment, whether on demand or on a fixed or determinable future date, and which is in a principal amount of \$1,500 or less; but the definition does not include (1) a loan made for business purposes to a business enterprise which is not for the purpose of purchasing a listed article, (2) a loan for agricultural purposes to a person engaged in agriculture which is not for the purpose of purchasing a listed article or (3) any loan upon the security of any obligation which arises out of any instalment sale, instalment loan, charge account or single-payment loan.

"(j) 'Cash Price' means the bona fide cash purchase price of an article, including the bona fide cash purchase price of any accessories, any bona fide delivery, installation and service charges (other than interest, finance or insurance charges), and any applicable sales taxes.

"(k) 'Registrant' means a person who is licensed pursuant to section 3.

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"SECTION 3. GENERAL REQUIREMENTS AND REGISTRATION

"(a) General Requirements. - No person engaged in the business of making instalment sales,² charge sales of listed articles, instalment loans, or single-payment loans, or engaged in the business of lending on the security of or discounting or purchasing obligations arising out of such extensions of credit, shall make or receive any payment which constitutes or arises directly or indirectly out of any such extension of credit made by him or out of any such obligation lent on or discounted or purchased by him, except on the following conditions:

(1) He must be licensed pursuant to this section;

(2) He must not make or receive any such payment in connection with an extension of credit made by him if he knew or had reason to know when he made such extension of credit any fact by reason of which it failed to comply with any requirement of this regulation applicable thereto;

(3) He must not make or receive any such payment in connection with any obligation which he has purchased or discounted or has accepted as collateral if, at the time he purchased or discounted such obligation or accepted it as collateral, it showed on its face a failure to comply with such requirements or if he knew any fact by reason of which the extension of credit giving rise to the obligation failed to comply with such requirements; and

(4) He must not make or receive any such payment in connection with an obligation arising out of an extension of credit which he has renewed, revised or consolidated, if he knew or had reason to know when he renewed, revised or consolidated it any fact by reason of which such renewal, revision or consolidation resulted in a failure to comply with such requirements.

"(b) General License. - Whenever this regulation is amended so that any person who was not formerly subject to section 3(a) becomes subject thereto, such person is hereby granted a general license; but such general license shall

^{2/} It is to be noted that the term 'instalment sale' includes only instalment credit arising out of the sale of listed articles.

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"terminate at the end of the second full calendar month after the month in which the amendment becomes effective unless such person has registered in the manner provided in section 3(c) before such termination, except that the general license of a person who is required to be licensed solely because he makes charge sales of listed articles or makes single-payment loans shall not terminate until the expiration of the time within which the Board shall, by public announcement, require such person to register.

"Any person whose license is not suspended may become licensed by registering in the manner provided in section 3(c).

"(c) Registration. - Registration may be accomplished by filing, with the Federal Reserve Bank or any branch thereof in the district in which the main office of the Registrant is located, a registration statement on forms obtainable from any Federal Reserve Bank or branch.

"(d) Suspension of License.³ - The license of any Registrant may, after reasonable notice and opportunity for hearing, be suspended by the Board, in its entirety or as to particular activities or particular offices or for specified periods, on any of the following grounds:

(1) Any material misstatement or omission willfully or negligently made in the registration statement;

(2) Any willful or negligent failure to comply with any provision of this regulation or any requirement of the Board pursuant thereto.

"A license which is suspended for a specified period will again become effective upon the expiration of such period. A license which is suspended indefinitely may be restored by the Board, in its discretion, if the Board is satisfied that its restoration would not lead to further

"3/ In addition, any Registrant who willfully violates or knowingly participates in a violation of this regulation is subject to the penalties prescribed in section 5(b) of the Act of October 6, 1917, as amended, which reads in part as follows: 'Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both.'

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"violations of this regulation and would not be otherwise incompatible with the public interest.

"SECTION 4. INSTALMENT SALES

"Except as otherwise permitted by this regulation, each instalment sale shall comply with the following requirements:

"(a) Down Payment. - The down payment shall not be less than one-third of the cash price of the listed article, except that:

(1) In the case of pianos and furniture as defined in Group B of section 13(a), the down payment need not be more than one-fifth of the cash price;

(2) In the case of articles listed in Group C of section 13(a), no down payment is required; and

(3) In the case of articles the cash price of which is \$6.00 or less, no down payment is required.

In any case involving a used automobile, any article for which the Federal price authorities have prescribed a maximum retail price, or any article on which there is a trade-in by the purchaser, the amount of the down payment must be computed in accordance with the applicable provisions of section 13.

"(b) Maximum Maturity. - The maturity shall not exceed 12 months, except that, in the case of automobiles and motorcycles as defined in Group D of section 13(a), the maturity may be not more than 15 months.

"(c) Amounts and Intervals of Instalments. - Except as permitted by section 9, the instalments in which the time balance is payable (1) shall not be less than \$5.00 per month or \$1.25 per week on the aggregate instalment indebtedness of one debtor to the same creditor; (2) shall be substantially equal in amount or so arranged that no instalment is substantially greater in amount than any preceding instalment; and (3) shall be payable at approximately equal intervals not exceeding one month.

"(d) Statement of Transaction. - Unless the cash price of the article sold is \$6.00 or less, the instalment sale shall be evidenced by a written instrument or record, and there shall be incorporated therein or attached thereto a written statement, of which a copy shall be given to the obligor as promptly as circumstances will permit, and which shall set forth (in any order) the following information:

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"(1) A brief description identifying the article purchased;

(2) The cash price of the article;

(3) The amount of the purchaser's down payment (i) in cash and (ii) in goods accepted in trade, together with a brief description identifying such goods and stating the monetary value assigned thereto in good faith;

(4) The deferred balance, which is the difference between items (2) and (3);

(5) The amount of any insurance premium for which credit is extended and of any finance charges or interest by way of discount included in the principal amount of the obligation, or the sum of these amounts;

(6) The time balance owed by the purchaser, which is the sum total of items (4) and (5); and

(7) The terms of payment.

"SECTION 5. CHARGE ACCOUNTS

"Except as otherwise permitted by this regulation, each charge sale and charge account shall comply with the following requirements:

"(a) Maximum Maturity. - Except as permitted by section 9, no listed article shall be sold in a charge account with an agreement that payment therefor may be deferred beyond the 10th day of the second calendar month following the calendar month during which such article was sold.

"(b) Restriction. - When a charge account is in default, the Registrant shall not extend credit to the obligor for any charge sale or instalment sale of any listed article until the default has been cured by one of the methods described below.

"(c) Default. - A charge account shall be deemed to be in default if any article (whether listed or unlisted) for which credit was extended in such account has not been paid for in full on or before the 10th day of the second calendar month following the calendar month during which such article was sold, except that:

(1) A charge account shall not be deemed to be in default because of a failure to make payment for any article purchased therein prior to May 1, 1942, unless such article shall not have been paid for in full by July 10, 1942;

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"(2) If an article was sold in a charge account prior to May 1, 1942, under a definite agreement between the seller and purchaser (evidenced in writing) that such article need not be paid for until a specified date, the account shall not be deemed to be in default with respect to such article unless such article shall not have been paid for in full by the date so agreed upon; and

(3) For persons with seasonal incomes, adjustments are permitted in accordance with section 9.

"(d) Curing Defaults. - When a charge account is in default, the default may be cured either:

(1) By payment in full of the amount in default;

(2) By the purchaser entering into a written agreement in good faith to pay the amount in default within a period of 6 months or less from the date of such agreement by substantially equal instalment payments of not less than \$5.00 per month or \$1.25 per week at substantially equal intervals not exceeding one month;⁴ or

(3) By the purchaser filing with the creditor a Statement of Necessity in accordance with section 10(d) and entering into a written agreement in good faith to pay the amount in default within a period of 12 months from the date of such agreement by substantially equal instalment payments at substantially equal intervals not exceeding one month.⁴

"(e) Conversion of Charge Account into Instalment Credit Prior to Default. - If the seller and purchaser agree to convert into an instalment credit⁴ the whole or any part of a charge account arising from the sale of a listed article the charge for which is not in default, the agreement shall be in writing and shall provide that the instalment credit shall be retired within 6 months from the date of the agreement by substantially equal payments of not less than \$5.00 per month or \$1.25 per week, at substantially equal intervals not exceeding one month.

"(f) 'Floor Authorizations'. - A Registrant shall not be deemed to have violated section 5(b) if he makes a charge sale of a listed article, the cash price of which is \$5.00

^{4/} Renewals, revisions, and additions of instalment credits growing out of charge accounts are subject to the provisions of section 10.

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"or less, for immediate delivery to the customer in person and (1) the person authorizing such charge sale on behalf of the Registrant acts in good faith without knowledge that the customer's charge account is in default, and (2) the Registrant, upon discovery that such charge account is in default, promptly requests the return of, or the immediate payment in full for, the article sold.

"SECTION 6. INSTALMENT LOANS

"Except as otherwise permitted by this regulation, each instalment loan shall comply with the following requirements:

"(a) Instalment Loans to Purchase Listed Articles. - If the Registrant knows or has reason to know that the proceeds of an instalment loan (defined to exclude loans of more than \$1,500) are to be used to purchase any listed article having a cash price of \$15.00 or more:

(1) The principal amount lent (excluding any interest or finance charges and the cost of any insurance) shall not exceed two-thirds of the cash price of the listed article except that:

(i) This requirement does not apply in the case of articles listed in Group C of section 13(a); and

(ii) The principal amount lent may be not more than four-fifths of the cash price of a piano or furniture as defined in Group B of section 13(a).

In any case involving a used automobile, or any article on which there is a trade-in by the purchaser, the maximum amount which may be lent shall be computed in accordance with the applicable provisions of section 13; and

(2) The maturity shall not exceed 12 months, except that, in the case of automobiles and motorcycles as defined in Group D of section 13(a), the maturity may be not more than 15 months.

"(b) Instalment Loans Not to Purchase Listed Articles. -

In the case of an instalment loan (defined to exclude loans of more than \$1,500) which is not subject to section 6(a), the maximum maturity shall not exceed 12 months; except that, if the Registrant knows or has reason to know that the proceeds are to be used to reduce or retire a charge account arising in whole or in part from the sale of a listed article, or to reduce or retire a single-payment loan which is subject to this regulation, the maximum maturity shall not exceed 6 months.

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"(c) Additional Requirements. - Whether subject to section 6(a) or section 6(b), the instalment loan shall comply with the following additional requirements:

(1) It shall be evidenced by a written instrument or record, and there shall be incorporated therein or attached thereto a written statement, of which a copy shall be given to the obligor as promptly as circumstances will permit, and which shall set forth the terms of payment;

(2) Except as permitted by section 9, the obligation shall be payable in instalments which (i) shall not be less than \$5.00 per month or \$1.25 per week, on the aggregate instalment indebtedness of the debtor to the creditor, (ii) shall be substantially equal in amount or be so arranged that no instalment is substantially greater in amount than any preceding instalment, and (iii) shall be payable at approximately equal intervals not exceeding one month.

"(d) Statement of the Borrower. - No Registrant shall make any instalment loan, except under the provisions of section 10(a), unless he shall have accepted in good faith a signed Statement of the Borrower as to the purposes of the loan in form prescribed by the Board. No obligor shall willfully make any material misstatement or omission in such a Statement. If the Registrant relies in good faith on the facts set out by the obligor in such Statement, it shall be deemed to be correct for the purposes of the Registrant.

"SECTION 7. SINGLE-PAYMENT LOANS

"Except as otherwise permitted by this regulation, each single-payment loan shall comply with the following requirements:

"(a) Single-payment Loans to Purchase Listed Articles. - If the Registrant knows or has reason to know that the proceeds of a single-payment loan (defined to exclude loans of more than \$1,500) are to be used to purchase any listed article having a cash price of \$15.00 or more:

(1) The principal amount lent (excluding any interest or finance charges and the cost of any insurance) shall not exceed two-thirds of the cash price of the listed article, except that:

(i) This requirement does not apply in the case of articles listed in Group C of section 13(a); and

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"(ii) The principal amount lent may be not more than four-fifths of the cash price of a piano or furniture as defined in Group B of section 13(a).

In any case involving a used automobile or any article on which there is a trade-in by the purchaser, the maximum amount which may be lent shall be computed in accordance with the applicable provisions of section 13; and

(2) The maturity shall not exceed 90 days, except as permitted by section 9.

"(b) Single-payment Loans Not to Purchase Listed Articles. - In the case of a single-payment loan (defined to exclude loans of more than \$1,500) not subject to section 7(a), the maximum maturity shall not exceed 90 days, except as permitted by section 9.

"(c) Renewals and Extensions. - A single-payment loan (defined to exclude loans of more than \$1,500) made originally on or after May 6, 1942, may not be renewed or extended except as follows:

(1) A single-payment loan made on or after May 6, 1942 may be renewed or extended by means of an instalment loan complying with the requirements of sections 6(b) and 6(c)(2) with the maturity⁵ calculated from the date on which the original single-payment loan was made;

(2) A single-payment loan made on or after May 6, 1942 may be renewed or extended by a series of obligations each of which has a maturity of not in excess of 90 days if the last of such obligations matures not later than the date on which an instalment loan made for a similar purpose would have matured⁵ and the borrower pays at the time of each such renewal or extension enough to reduce the unpaid balance to an amount not greater than

"5/ The maturity must not be later than twelve months from the date on which the original loan was made, except that

(1) if the Registrant know or have reason to know that the proceeds were used to reduce or retire a charge account, the maturity must not be later than six months from such date, and

(2) if the borrower file, and the Registrant accept in good faith, a Statement of Necessity in accordance with the requirements of section 10(d), the maturity may be not more than twelve months from the date of such renewal or extension.

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"would have been permitted if the loan had been an instalment loan subject to the provisions of section 6(b); and

(3) Nothing in this regulation shall be construed to prevent the Registrant from making any renewal or revision or taking any action that he shall deem necessary in good faith (i) with respect to any obligation of any member of the armed forces of the United States incurred prior to his induction into such service, or (ii) for the Registrant's own protection in connection with any obligation which is in default and is the subject of bona fide collection effort by the Registrant.

"(d) Statement of the Borrower.⁶ - No Registrant shall make any single-payment loan, except under the provisions of section 7(c), unless he shall have accepted in good faith a signed Statement of the Borrower as to the purpose of the loan in form prescribed by the Board. No obligor shall willfully make any material misstatement or omission in such Statement. If a Registrant relies in good faith on the facts set out by the obligor in such Statement, it shall be deemed to be correct for the purposes of the Registrant.

"(e) Loans Payable on Demand. - A single-payment loan made on or after May 6, 1942, which is payable on demand shall be treated for the purposes of this regulation as if it matured 90 days after the date on which it was made.

"(f) Credit to Retire Obligations Held Elsewhere. - Any single-payment loan, the proceeds of which a Registrant knows or has reason to know will be used in whole or in part to retire any single-payment loan not held by such Registrant, shall be subject to the provisions of this regulation to the same extent as if the obligation being retired were held by the Registrant.

"SECTION 8. EXCEPTIONS

"This regulation shall not apply to any of the following:

"6/ This requirement does not apply to a single-payment loan made for business purposes to a business enterprise or for agricultural purposes to a person engaged in agriculture, unless the proceeds are to be used to purchase a listed article.

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"(a) Real Estate Loans. - Any extension of credit which is secured by a bona fide first lien on improved real estate duly recorded or which is for the purpose of financing or refinancing the construction or purchase of an entire residential building or other entire structure.

"(b) Security Loans and Credits. - Any extension of credit on securities which is subject to the Board's Regulation T (relating to Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges), or subject to the Board's Regulation U (relating to Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange), or any other extension of credit for the purpose of purchasing or carrying stocks, bonds or other investment securities.

"(c) Educational, Hospital, Medical, Dental, and Funeral Expenses. - Any instalment loan as to which the Registrant accepts in good faith a written statement signed by the borrower certifying:

(1) That the proceeds are to be used for bona fide educational, medical, hospital, dental, or funeral expenses, or to pay debts incurred for such expenses;

(2) That his income available for the purpose is such that he could not reasonably meet the requirements of this regulation otherwise applicable; and

(3) That failure to obtain the extension of credit would cause undue hardship to him or his dependents.

"Such a statement by the borrower must set forth specifically the facts relied upon to bring the loan within this exception; and the facts recited therein shall be deemed to be correct for the purposes of this regulation if the statement is accepted by the Registrant in good faith.

"(d) Aircraft Credits. - Any extension of credit to finance the purchase of aircraft for use in any activity in respect of which a preference rating of A-10 or higher is in force for deliveries of civil aircraft.

"(e) Defense Housing. - Any extension of credit to remodel or rehabilitate any structure which the Administrator of the National Housing Agency, or his authorized agent, shall designate as being for 'defense housing' as

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"defined by the Administrator. Information regarding the procedure for obtaining such a designation may be obtained through any Federal Reserve Bank or branch.

"(f) Credit to Dealers. - Any extension of credit to a dealer in any listed article (including a wholesaler, retailer, and a plumbing, electrical, heating or other contractor) to finance the purchase of any such article for resale or installation.

"(g) Fire and Casualty Insurance Premiums. - Any loan which is made for the purpose of financing a premium in excess of one year on a fire or casualty insurance policy, if the proceeds are paid directly to the insurance agent, broker, or company issuing or underwriting the insurance and the extension of credit is fully secured by the unearned portion of the premium so financed.

"(h) Disaster Loans. - Any loan made by the Disaster Loan Corporation.

"(i) Agricultural Loans. - Any loan to a person engaged in agriculture, or to a cooperative association of such persons, if it (1) is made by the Land Bank Commissioner on behalf of the Federal Farm Mortgage Corporation and is found, pursuant to regulations issued by the Commissioner, to be necessary to maintain or increase production of essential agricultural commodities, or (2) is approved by the Farm Security Administrator or his authorized agent as being necessary for the rehabilitation of a needy farm family, or (3) is for general agricultural purposes and is not for the purpose of purchasing any listed article. In determining whether an extension of credit meets the description of clause (3) above, a Registrant may accept in good faith a written statement signed by the obligor setting forth the facts relied upon to bring it within the description, and the facts set forth in such statement shall be deemed to be correct for the purposes of this regulation.

"(j) Business Loans. - Any loan for business purposes to a business enterprise which is not for the purpose of purchasing a listed article.

"(k) Insurance Policy Loans. - Any loan made by a life insurance company which is fully secured by the loan value or cash surrender value of a life insurance policy issued by such company; any loan made by any Registrant on the security of the loan value or cash surrender value of a life insurance policy for the purpose of enabling the borrower to pay off a policy loan made by the insurer

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"prior to May 6, 1942; and any renewal or extension of any such loan which does not involve an increase in the amount of the loan.

"(1) Credit to Governmental Agencies and Religious, Educational or Charitable Institutions. - Any extension of credit to the Federal Government, any State government, any political subdivision, or any department, agency or establishment thereof, or to any church, hospital, clinic, sanitarium, school, college, or other religious, educational, charitable, or eleemosynary institution.

"SECTION 9. SEASONAL ADJUSTMENTS

"Notwithstanding any other provision of this regulation, appropriate seasonal adjustments may be made in connection with the contractual time of payment of any extension of credit, in accordance with the following provisions:

"(a) Intervals of Payments. - When appropriate for the purpose of facilitating payment in accordance with the obligor's main source of income, the payment schedule in connection with any instalment credit may reduce or omit payments over any period or periods totaling not more than 4 months, if the other payments are increased in such manner as to meet all the other requirements of this regulation applicable to such instalment credit.

"(b) Farmers and Stock Raisers. - When appropriate for the purpose of facilitating payment in accordance with the seasonal nature of the obligor's main source of income, any instalment credit which is made to a person who is engaged in agriculture or stock raising and derives his income principally therefrom may be payable in any amounts and at any intervals, if: (1) The instalment credit complies with the applicable provisions of this regulation concerning the amount and maximum maturity of the credit, and (2) at least one-half of the credit is to be repaid within the first half of the applicable maximum maturity.

"If the purchaser or borrower be known to the Registrant customarily to receive 75 per cent or more of his income during one or two seasons of the year from farming or stock raising, (1) his charge account shall not be deemed to be in default unless the articles previously purchased in the account shall not have been paid for in full within 10 days after the end of the next calendar month during which most of his annual or semiannual income is customarily received, (2) any single-payment loan made to him may be made to mature during the next calendar month in which most of his annual or semiannual income is customarily received, and (3) the schedule of payments in

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"connection with any instalment credit extended to him may be arranged so that the instalment payments will fall due during the calendar months in which most of his annual or semiannual income is customarily received; but each such extension of credit shall mature not later than 12 months from the date on which it was originally extended.

"(c) Other Persons with Seasonal Incomes. - If the Registrant has accepted from the purchaser or borrower in good faith a written statement to the effect that such purchaser or borrower customarily receives 75 per cent or more of his income during one or two specified seasons of the year from seasonal labor, investments, trust funds, or other seasonal sources, (1) his charge account shall not be deemed to be in default unless the articles previously purchased in the account shall not have been paid for in full within 10 days after the end of the next calendar month during which most of his annual or semiannual income is customarily received, (2) any single-payment loan made to him may be made to mature during the next calendar month in which most of his annual or semiannual income is customarily received, and (3) the schedule of payments in connection with any instalment credit extended to him may be arranged so that the instalment payments will fall due during the calendar months in which most of his annual or semiannual income is customarily received; but each such extension of credit shall mature not later than 12 months from the date on which it was originally extended.

"SECTION 10. RENEWALS, REVISIONS, AND
ADDITIONS OF INSTALMENT CREDIT

"(a) Renewals or Revisions. - If any obligation evidencing any instalment sale or instalment loan is renewed or revised by a Registrant, such renewal or revision must not have the effect of changing the terms of repayment to terms which this regulation would not have permitted in the first instance for such credit;⁷ but nothing in this

"7/ If there should be any arrearage under an instalment contract which does not arise out of any prearrangement or plan to evade this regulation, the arrearage may be divided equally among and added to the remaining payments scheduled for the liquidation of the credit to which such arrearage relates. This applies to any renewal, revision or consolidation effected in accordance with any provision of section 10.

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"regulation shall be construed to prevent any Registrant from making any renewal or revision, or taking any action that he shall deem necessary in good faith, (1) with respect to any obligation of any member of the armed forces of the United States incurred prior to his induction into such service, or (2) for the Registrant's own protection in connection with any obligation which is in default and is the subject of bona fide collection effort by the Registrant.

"(b) Additions to Outstanding Credit Held by Registrant. - An obligation evidencing any instalment sale⁸ or instalment loan shall not be consolidated with any obligation or obligations held by the Registrant evidencing any prior instalment sale or instalment loan to the same obligor, unless the additional credit complies with the down payment or maximum credit limitations applicable thereto (if any) and, in addition, the consolidated obligation complies with one of the following options:

Option 1. The terms of the consolidated obligation shall be such as would have been necessary to meet the requirements of this regulation if the several obligations had not been consolidated, except that, in order to schedule payments at approximately equal intervals, the consolidated obligation may combine payments that would otherwise have fallen due at different times within any monthly period, but the first of such combined payments shall fall due within one month after such consolidation; or

Option 2. The consolidated obligation shall provide for a rate of payment (not less than \$5.00 per month or \$1.25 per week) throughout its term, which is (i) at least as large per month as the rate of payment or payments on the outstanding obligation or obligations being consolidated would have been for the month commencing on the date of consolidation,⁹ and (ii) is larger to whatever

⁸/ The term 'instalment sale' as here used includes an instalment credit resulting from the conversion of a charge account to an instalment basis.

⁹/ If any part of the consolidated obligation is used to reduce or retire a charge account or single-payment loan, under the provisions of section 6(b) or 7(c)(1), such part shall be treated for the purpose of this Option as if the charge account or single-payment loan were payable in six equal monthly instalments.

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"extent may be necessary in order to repay the consolidated obligation within 12 months.

"(c) Credit to Retire Instalment Obligations Held Elsewhere. - Any instalment loan, the proceeds of which a Registrant knows or has reason to know will be used in whole or in part to retire any instalment sale¹⁰ or instalment loan not held by such Registrant, shall be subject to the provisions of this regulation to the same extent as if the obligation being retired were held by the Registrant.

"(d) Statement of Necessity to Prevent Undue Hardship. - Notwithstanding any other provision of this regulation, if a Registrant accepts in good faith a Statement of Necessity as provided in the following paragraph, the renewed, revised or consolidated obligation may provide for a schedule of repayment as though it were a new instalment loan subject to section 6(b), except that the payments need not be as large as \$5.00 per month or \$1.25 per week, even though such action results in the reduction of the rate of repayment thereon.

"The requirements of a Statement of Necessity will be complied with only if the Registrant accepts in good faith a written statement signed by the obligor, in form and content prescribed by the Board, that the contemplated renewal, revision or other action is necessary in order to avoid undue hardship upon the obligor or his dependents resulting from contingencies that were unforeseen by him at the time of obtaining the original extension of credit or which were beyond his control, which statement also sets forth briefly the principal facts and circumstances with respect to such contingencies and specifically states that the renewal, revision, or other action is not pursuant to a preconceived plan or an intention to evade or circumvent the requirements of this regulation.

"SECTION 11. EVASIVE DEVICES PROHIBITED

"(a) Evasive Side Agreements. - No extension of credit complies with the requirements of this regulation if at the time it is made there is any agreement, arrangement, or understanding by which the obligor is to be enabled to make repayment on conditions inconsistent with those required by this regulation, or which would otherwise evade or circumvent, or conceal any evasion or circumvention of, any requirement of this regulation.

"^{10/} The term 'instalment sale' as here used includes an instalment credit resulting from the conversion of a charge account to an instalment basis.

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"(b) Loans to Make Down Payments. - A Registrant shall not make any instalment loan or single-payment loan if he knows or has reason to know that any part of the proceeds thereof is to be used to make a down payment on the purchase price of any listed article.

"(c) Side Loan to Make Down Payment on Listed Article. - A Registrant shall not make an extension of credit to finance the purchase of any listed article if he knows or has reason to know that there is, or that there is to be, any other extension of credit in connection with the purchase of the listed article which would bring the total amount of credit extended in connection with such purchase beyond the amount permitted by this regulation; but, if the Registrant accepts in good faith a written statement signed by the obligor that no such other extension exists or is to be made, such statement shall be deemed to be correct for the purposes of this regulation.

"(d) Purchase of Article in Lieu of Trade-in. - Anything which the seller of a listed article buys, or arranges to have bought, from the purchaser at or about the time of the purchase of the listed article shall be regarded as a trade-in for purposes of this regulation.

"(e) Coupon Plans. - No coupon, ticket or similar medium of credit, whether paid for in instalments or otherwise, shall be accepted by any Registrant in payment, in whole or in part, for any listed article if such acceptance, in effect, would permit the article to be sold on terms not complying with the requirements of this regulation.

"SECTION 12. MISCELLANEOUS PROVISIONS

"(a) Clerical Errors. - Any failure to comply with this regulation resulting from a mistake in determining, calculating, or recording any price, down payment, or extension of credit, or other similar matter, shall not be construed to be a violation of this regulation if the Registrant establishes that such failure to comply was the result of excusable error and was not occasioned by a regular course of dealing.

"(b) Extension of Credit for Mixed Purposes. - In case an extension of credit arises partly out of a sale of a listed article and partly out of another sale, or is partly subject to one section of this regulation and partly subject to another section, or is partly subject to the regulation and partly not subject to the regulation, the amount and terms of such extension of credit shall be such as would

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"result if the credit were divided into two or more parts and each part were treated in good faith as if it stood alone.

"(c) Calculating Maximum Maturity of Instalment Contract. - In calculating the maximum maturity of an instalment sale or instalment loan, a Registrant may, at his option, use any date not more than 15 days subsequent to the actual date of the sale or loan.

"(d) 'Lay-away' Plans. - With respect to any extension of credit involving a bona fide 'lay-away' plan, or other similar plan by which a purchaser makes one or more payments on an article before receiving delivery thereof, the Registrant may, for the purposes of this regulation, treat the extension of credit as not having been made until the date of the delivery of the article to the purchaser.

"(e) Contracts and Obligations Outstanding on September 1, 1941. - Nothing in this regulation shall prevent the performance of any valid contract or obligation entered into prior to September 1, 1941; but, when any obligation arising out of any extension of credit made prior to September 1, 1941, has been combined with any extension of credit made on or after September 1, 1941, or has been the subject of any renewal or revision made on or after such date, such extension of credit shall thereafter be treated for the purposes of this regulation as having been made on the date of such consolidation, renewal or revision.

"(f) Transactions Subjected to Regulation by Amendment. - Whenever this regulation is amended to add any article to the list of articles specified in section 13(a) or so as to apply to any additional class of transactions, the amendment shall not prevent the performance of any valid contract made prior to the effective date of the amendment; but any renewal, revision or consolidation of any obligation growing out of an extension of credit covering such newly added article or class of transactions shall be subject to the applicable requirements of this regulation, and, for the purposes of the applicable provisions regarding renewals, revisions and consolidations, the terms of repayment 'permitted in the first instance' for such an obligation shall be deemed to be those applicable to such an extension of credit under such amendment.

"(g) Payments Arising out of Loans on Pledged Obligations. - With respect to any loan on the security of an

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"obligation which arises out of an extension of credit subject to this regulation, the prohibitions of this regulation shall be deemed to apply only to payments arising out of the obligation rather than to payments arising out of the loan.

"(h) Records and Reports. - Every Registrant shall keep such records and make such reports as the Board may from time to time require as necessary or appropriate for enabling it to perform its functions under the Executive Order.

"(i) Production of Records. - Every Registrant, as and when required by the Board, shall furnish complete information relative to any transaction within the scope of the Executive Order, including the production of any books of account, contracts, letters, or other papers in connection therewith.

"(j) Transactions Outside United States. - Nothing in this regulation shall apply with respect to any extension of credit made in Alaska, the Panama Canal Zone, or any territory or possession outside the continental United States.

"(k) Right of Registrant to Impose Stricter Requirements. - Any Registrant has the right to refuse to extend credit, or to extend less credit than the amount permitted by this regulation, or to require that repayment be made within a shorter period than the maximum permitted by this regulation.

"(l) Sets and Groups of Articles. - For the purposes of this regulation, the word 'article' shall be deemed to include any set, group or assembly commonly considered, sold or used as a single unit, if the component parts thereof are sold or delivered at substantially the same time.

"SECTION 13. LISTED ARTICLES, DOWN PAYMENTS AND MAXIMUM CREDIT VALUES

"(a) Listed Articles. - The following are the articles which are 'listed articles' within the meaning of this regulation:

Group A - One-third down and 12 months' maximum maturity:

1. Air conditioners, room unit.
2. Air conditioning systems, home.
3. Aircraft (including gliders).
4. Attic ventilating fans.
- a⁵ 5. Automobile batteries and accessories.
- a⁶ 6. Automobile tires and inner tubes, for passenger automobiles.
- a⁷ 7. Bedding, blankets, curtains, draperies, and household linens and towels.

"a Added effective May 6, 1942.

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- "b 8. Bicycles.
- ^a 9. Binoculars, field glasses, opera glasses, and hand telescopes.
- ^c 10. Boats, and inboard and outboard motors designed for use therewith, other than boats or motors designed specifically for commercial use.
- ^b 11. Clocks, electric or other, designed for household or personal use.
- 12. Cooking stoves and ranges, designed for household use.
- 13. Dishwashers, electric, designed for household use.
- ^a 14. Electric appliances, not elsewhere listed, designed for household or personal use.
- ^b 15. Floor coverings (including fabric and linoleum type rugs, carpets, mats, and other floor covering materials, whether or not designed to be affixed to the floor).
- 16. Furnaces and heating units for furnaces, household (including oil burners, gas conversion burners, and stokers).
- 17. Heating stoves and space heaters, designed for household use.
- 18. Ironers designed for household use.
- ^a 19. Jewelry (including precious stones and costume jewelry).
- ^d 20. Lamps designed for household use.
- ^e 21. Lawn mowers, edgers, and trimmers (whether or not power-driven).
- ^a 22. Lighting fixtures designed for household use.
- ^a 23. Luggage, purses, handbags, toilet cases, and umbrellas.

"a Added effective May 6, 1942.

"b Added effective March 23, 1942.

"c Boats other than power driven boats added effective May 6, 1942.

"d Lamps previously classified as furniture.

"e Lawn mowers, mower-type edgers and trimmers added effective March 23, 1942. Edgers and trimmers other than mower-type, musical instruments other than those composed principally of metal, and mechanical carpet sweepers added effective May 6, 1942.

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- "^b24. Motion picture cameras, projectors, and lenses, designed for film gauges less than 35 mm.; still cameras, projectors, lenses and shutters, and enlargers.
- ^e25. Musical instruments not elsewhere listed.
- 26. Organs, household electric.
- 27. Plumbing and sanitary fixtures designed for household use.
- ^a28. Portable lights, and portable or stationary flood-lighting equipment, designed for household use.
- 29. Radio receiving sets, phonographs, or combinations.
- 30. Refrigerators, mechanical, of less than 12 cubic feet rated capacity.
- 31. Sewing machines designed for household use.
- ^b32. Silverware (including flatware and hollow ware, whether solid or plated).
- ^a33. Sports', athletic, outing, and games' equipment.
- ^e34. Suction cleaners and mechanical carpet sweepers, designed for household use.
- ^a35. Tableware and kitchen ware, equipment, and utensils, designed for household use (including pottery, porcelain, chinaware, glassware, and cutlery).
- 36. Washing machines designed for household use.
- ^b37. Watches.
- 38. Water heaters designed for household use.
- 39. Water pumps designed for household use.
- ^a40. Wearing apparel and furs, non-military, (including footwear, headwear, and haberdashery).
- ^a41. Yard goods designed for making garments or for making articles of household use.

"a Added effective May 6, 1942.

"b Added effective March 23, 1942.

"e Lawn mowers, mower-type edgers and trimmers added effective March 23, 1942. Edgers and trimmers other than mower-type, musical instruments other than those composed principally of metal, and mechanical carpet sweepers added effective May 6, 1942.

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"Group B - 20 per cent down and 12 months' maximum maturity:

- ^c1. Furniture, household (including ice refrigerators, bed springs, and mattresses).
2. Pianos.

"Group C - 12 months' maximum maturity:

1. Materials and services (other than articles, whether or not designed for household use, which are of kinds elsewhere listed) in connection with repairs, alterations, or improvements upon urban, suburban or rural real property in connection with existing structures (other than a structure, or a distinct part thereof, which, as so repaired, altered or improved, is designed exclusively for non-residential use), provided the deferred balance does not exceed \$1,500.

"Group D - Maximum maturity 15 months; for down payment requirement see section 13(c):

1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxicabs).
2. Motorcycles (two- or three-wheel motor vehicles, including motor bicycles).

"(b) Trade-in. - If any article is traded in by the purchaser on an article listed in Group A, the cash down payment shall be one-third of the net price of the article after deducting from the cash price the amount allowed for the trade-in, and such cash down payment shall be obtained in addition to the trade-in. In the case of an article listed in Group B, the cash down payment shall be one-fifth of such net price. In the case of automobiles and other articles listed in Group D, the down payment required by the regulation may be made in the form of cash or in the form of a trade-in, or both.

"(c) Down Payment on Automobiles and Motorcycles. - For a new automobile or a new or used motorcycle, the down payment (which may be in cash or in the form of a trade-in or in both forms) shall be one-third of the cash price.

"For a used automobile the down payment (which may be in cash or in the form of a trade-in or in both forms) shall be:

- (1) One-third of the cash price if the cash price is equal to or lower than the 'appraisal guide value'; or

"c Used furniture added effective May 6, 1942.

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"(2) The cash price minus two-thirds of the 'appraisal guide value' if the cash price is higher than the 'appraisal guide value'.

"'Appraisal guide value' means the estimated average retail value as stated in such edition of any regularly published automobile appraisal guide as the Board may designate for this purpose for use in the territory in which such used automobile is sold, plus any applicable sales taxes. Information as to the guide or guides designated for any given territory may be obtained from any Federal Reserve Bank or branch.

"(d) Down Payment Where Price is Fixed by Federal Authorities. - In the case of any article for which the Federal price authorities have prescribed a maximum retail price, the amount of credit extended pursuant to the provisions of section 4 shall in no event exceed the amount which would have been permitted if the article had been sold at the maximum retail price.

"(e) Maximum Amount of Loan. - A loan to purchase an article listed in Group A in connection with which the seller has accepted a trade-in shall not exceed two-thirds of the net price of the listed article after deducting from the cash price the amount allowed for the trade-in, and, in the case of an article listed in Group B, the loan shall not exceed four-fifths of such net price.

"A loan to purchase a used automobile shall not exceed two-thirds of the cash price or two-thirds of the 'appraisal guide value' of the automobile, whichever is lower.

"SECTION 14. ENFORCEABILITY OF CONTRACTS

"Except as may subsequently be otherwise provided, all provisions of this regulation are designated, pursuant to section 2(d) of the Executive Order, as being 'for administrative purposes' within the meaning of said section 2(d), which provides that noncompliance with provisions of the regulation so designated shall not affect the right to enforce contracts.

"SECTION 15. EFFECTIVE DATE OF REGULATION

"This regulation became effective in its original form September 1, 1941; Amendment No. 1 became effective September 20, 1941; Amendment No. 2 became effective December 1, 1941; Amendment No. 3 became effective March 23, 1942, except that the change made in Part 3(b) of

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"the Supplement by Amendment No. 3 became effective April 1, 1942. This revised regulation shall become effective May 6, 1942.

At this point, Messrs. Bethea, Carpenter, Thurston, Wyatt, Parry, Thomas, Leonard, Chase, Shay, Hammond, and Williams left the meeting.

Upon recommendation by Mr. Szymczak, unanimous approval was given to letters to the Federal Reserve Banks of Boston, Cleveland, Richmond, and San Francisco, as follows:

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston:

"Referring to your letter of April 15, 1942, the Board of Governors approves payment of salaries to the following officers of the Bank for the year beginning May 1, 1942, at the rates fixed by your Board of Directors:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Krickel K. Carrick	Vice President and General Counsel	\$15,000
Ellis G. Hult	Vice President	10,000
Carl B. Pitman	Cashier	9,750
John C. Hunter	Assistant Cashier	6,000
Roy F. Van Amringe	Assistant Cashier	5,000
Edward R. Murphy	Assistant Cashier	4,750
John J. Fogg	Auditor	6,000
Archie C. Kennel, Jr.	Assistant Counsel	5,000
Phillips Ketchum	Associate Counsel (Retainer)	2,400"

Letter to Mr. Klages, Deputy Chairman of the Federal Reserve Bank of Cleveland:

"Referring to your letter of March 26, 1942, the Board of Governors approves payment of salaries to the following officers of the Bank for the year beginning May 1, 1942, at the rates fixed by your Board of Directors:

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
W. H. Fletcher	Vice President	\$15,000
G. H. Wagner	Vice President	12,000
W. F. Taylor	Vice President and Cashier	10,000
R. B. Hays	Vice President and Secretary	11,000
E. A. Carter	Assistant Vice President	7,500
K. H. MacKenzie	Assistant Vice President	5,300
A. G. Foster	Assistant Cashier	6,900
C. Harrell	Assistant Cashier	4,000
H. E. J. Smith	Assistant Cashier	5,800
F. V. Grayson	Auditor	9,000
Squire, Sanders and Dempsey	Counsel	(Retainer) 5,000

Cincinnati Branch

B. J. Lazar	Managing Director	9,000
H. N. Ott	Cashier	6,750
P. J. Geers	Assistant Cashier	4,500
R. G. Johnson	Assistant Cashier	4,800

Pittsburgh Branch

P. A. Brown	Managing Director	9,000
J. W. Kossin	Cashier	6,500
F. E. Cobun	Assistant Cashier	5,500
C. J. Bolthouse	Assistant Cashier	5,600

"The Board has requested me to advise you that it is not prepared at this time to approve the salaries fixed by your Board of Directors for the following officers, but approves payment of salaries to them during the year beginning May 1, 1942, at the rates indicated if fixed by your Directors at such rates:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
M. J. Fleming	President	\$25,000
F. J. Zurlinden	First Vice President	18,000
C. W. Arnold	Vice President	9,000"

Letter to Mr. Lassiter, Chairman of the Federal Reserve Bank of Richmond:

"Referring to your letter of April 23, 1942, the Board of Governors approves payment of salaries to the following

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"officers of the Bank for the year beginning June 1, 1942,
at the rates fixed by your Board of Directors:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Hugh Leach	President	\$21,000
John S. Walden, Jr.	First Vice President	14,000
J. G. Fry	Vice President	12,000
Roger W. Mercer	Vice President	8,000
George H. Keesee	Cashier and Secretary	9,000
Edward Waller, Jr.	Assistant Cashier	7,500
W. W. Dillard	Assistant Cashier	6,500
Albert S. Johnstone	Assistant Cashier	6,000
Claude L. Guthrie	Assistant Cashier	6,500
Clair B. Strathy	Assistant Cashier	4,800
R. S. Brock, Jr.	Auditor	5,800
Maxwell G. Wallace	Counsel	8,000

Baltimore Branch

W. R. Milford	Managing Director	12,000
John R. Cupit	Cashier	6,500
John A. Johnston	Assistant Cashier	5,000
Donald F. Hagner	Assistant Cashier	4,500

Charlotte Branch

W. T. Clements	Managing Director	8,000
Robert L. Cherry	Cashier	5,000
Louis D. Brooks	Assistant Cashier	4,000"

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

"Referring to your letter of April 2, 1942, as you were
advised in our telegram of this date, the Board of Governors
approves payment of salaries to the following officers of
the Bank for the year beginning May 1, 1942, at the rates
fixed by your Board of Directors:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Wm. A. Day	President	\$25,000
Ira Clerk	First Vice President	19,000
W. M. Hale	Vice President	16,500
R. B. West	Vice President	10,000
C. E. Earhart	Cashier	10,000
H. N. Mangels	Assistant Cashier	7,500

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
E. C. Mailliard	Assistant Cashier	\$ 5,700
J. M. Osmer	Assistant Cashier	6,000
H. F. Slade	Assistant Cashier	6,000
R. T. Hardy	Assistant Cashier	5,700
R. E. Everson	Assistant Cashier	5,000
N. M. Sherman	Assistant Cashier	5,500
Heward Armstrong	Assistant Cashier	4,500
F. H. Holman	General Auditor	8,000
A. C. Agnew	General Counsel	14,000
O. P. Wheeler	Director of Research	7,500

Los Angeles Branch

W. N. Ambrose	Managing Director	10,000
F. C. Bold	Assistant Manager	7,000
M. McRitchie	Assistant Manager	6,000
L. C. Meyer	Assistant Manager	5,500

Portland Branch

D. L. Davis	Managing Director	8,500
S. A. MacEachron	Assistant Manager	6,000
J. P. Blanchard	Assistant Manager	4,500

Salt Lake City Branch

W. L. Partner	Managing Director	8,500
J. M. Leisner	Assistant Manager	6,000
W. M. Scott	Assistant Manager	4,500

Seattle Branch

C. R. Shaw	Managing Director	8,500
B. A. Russell	Assistant Manager	5,000
G. W. Relf	Assistant Manager	4,500
R. T. Symms	Assistant Manager	4,500"

The action stated with respect to each of the matters herein-
after referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the
Federal Reserve System held on April 28, 1942, were approved unani-
mously.

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

"The Board of Governors approves the changes in the personnel classification plan of your Bank and Branches as requested in your letter of April 25, 1942."

Approved unanimously.

Letter dated April 29, 1942, to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of April 22, the Board approves the appointment of Charles E. Register as an assistant examiner for the Federal Reserve Bank of Richmond. Please advise us of the effective date."

Approved unanimously.

Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of your Bank as requested in your letter of April 27, 1942."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of April 18, 1942, the Board of Governors approves for a further period of six months, ending October 31, 1942, the payment of a salary to Mr. Willis L. Johns at the rate of \$2,700 per annum, which is \$300 in excess of the maximum annual salary provided in the personnel classification plan of your Bank for the position temporarily occupied by Mr. Johns."

Approved unanimously.

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Letter to the board of directors of "The State Bank of Lima", Howe, Indiana, 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 Chicago.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The State Bank of Lima', Howe, Indiana, 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 Director, Department of Financial Institutions for the State of Indiana, for his information.

"It is noted that, with respect to savings deposit withdrawals, the examiner states, on page 16, that the number of days' notice of withdrawal is not incorporated in the savings pass books, but the examiner states, on page E-(2), that in lieu thereof a provision is printed in the pass books by which it is expressly agreed that all items deposited in savings accounts are deposited subject to the provisions of the Indiana Financial Institutions Act and to the order of the Commission for Financial Institutions respecting withdrawals from such accounts. It is not clear under this provision that the bank has the right to require not less than 30 days' notice in writing before any withdrawal is made, as required by the definition of the term 'savings deposit' in Regulations Q and D. It is suggested, therefore, that this matter be brought to the bank's attention with a request that this provision in the pass books issued by the bank be modified

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"to conform with the requirements of the Board's regulations as soon as this can conveniently be done."

Letter to the board of directors of the "Austin State Bank", Austin, Minnesota, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 Minneapolis:

- "4. At the time of admission to membership such bank shall have a paid-up and unimpaired capital of at least \$100,000."

The letter also contained the following special comment:

"In view of the fact that Northwest Bancorporation will become a holding company affiliate of your bank upon its admission to membership, the Federal Reserve Bank of Minneapolis has been informed that before stock in the Federal Reserve Bank is issued to your bank it will be necessary for Northwest Bancorporation to comply with any conditions to the issuance of a general voting permit entitling it to vote the stock which it owns or controls of your bank."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Austin State Bank', Austin, Minnesota, 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 Commissioner of Banks for the State of Minnesota for his information."

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"Before issuing stock in the Federal Reserve Bank of Minneapolis to the Austin State Bank, Austin, Minnesota, you are requested to satisfy yourself that Northwest Bancorporation has complied with any conditions to the issuance of a general voting permit entitling it to vote the stock which it owns or controls of such bank."

Letter to the board of directors of the "State Bank of Northfield", Northfield, Minnesota, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 Minneapolis:

- "4. Such bank shall increase the number of its directors to not less than 5, the minimum number required in the case of all member banks under the provisions of Section 31 of the Banking Act of 1933, as amended."

The letter also contained the following special comment:

"In view of the fact that Northwest Bancorporation will become a holding company affiliate of your bank upon its admission to membership, the Federal Reserve Bank of Minneapolis has been informed that before stock in the Federal Reserve Bank is issued to your bank it will be necessary for Northwest Bancorporation to comply with any conditions to the issuance of a general voting permit entitling it to vote the stock which it owns or controls of your bank."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'State Bank of Northfield', Northfield, Minnesota, for membership in the Federal Reserve

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"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 Commissioner of Banks for the State of Minnesota for his information.

"If practicable, the increase in the number of directors required by condition of membership numbered 4 should be effected prior to admission of the bank to membership. However, the Board will not object to the admission of the bank with only three directors provided steps will be taken promptly to increase the number to five.

"Before issuing stock in the Federal Reserve Bank of Minneapolis to the State Bank of Northfield, Northfield, Minnesota, you are requested to satisfy yourself that Northwest Bancorporation has complied with any conditions to the issuance of a general voting permit entitling it to vote the stock which it owns or controls of such bank."

Letter to the board of directors of the "State Bank of Virginia", Virginia, Minnesota, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special conditions, 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 Minneapolis:

- "4. Such bank shall increase the number of its directors to not less than 5, the minimum number required in the case of all member banks under the provisions of Section 31 of the Banking Act of 1933, as amended.
- "5. At the time of admission to membership such bank shall have a paid-up and unimpaired capital of at least \$100,000.

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- "6. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$1,950.55, as shown in the report of examination of such bank as of October 21, 1941, made by an examiner for the Federal Reserve Bank of Minneapolis."

The letter also contained the following special comment:

"In view of the fact that Northwest Bancorporation will become a holding company affiliate of your bank upon its admission to membership, the Federal Reserve Bank of Minneapolis has been informed that before stock in the Federal Reserve Bank is issued to your bank it will be necessary for Northwest Bancorporation to comply with any conditions to the issuance of a general voting permit entitling it to vote the stock which it owns or controls of your bank."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'State Bank of Virginia', Virginia, Minnesota, 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 Commissioner of Banks for the State of Minnesota for his information.

"If practicable, the increase in the number of directors required by condition of membership numbered 4 should be effected prior to admission of the bank to membership. However, the Board will not object to the admission of the bank with only three directors provided steps will be taken promptly to increase the number to five.

"Before issuing stock in the Federal Reserve Bank of Minneapolis to the State Bank of Virginia, Virginia, Minnesota, you are requested to satisfy yourself that

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"Northwest Bancorporation has complied with any conditions to the issuance of a general voting permit entitling it to vote the stock which it owns or controls of such bank."

Telegram to Mr. Coffey, Federal Reserve Agent at the Federal Reserve Bank of Minneapolis, stating that, subject to the conditions set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Northwest Bancorporation", Minneapolis, Minnesota, entitling such organization to vote the stock which it owns or controls of the "Austin State Bank", Austin, Minnesota, "State Bank of Northfield", Northfield, Minnesota, and "State Bank of Virginia", Virginia, Minnesota, at all meetings of shareholders of such banks, and that the period within which a permit may be issued pursuant to the authorization contained in the telegram is limited to 30 days from the date of the telegram unless an extension of time is granted by the Board. The conditions contained in the telegram upon which the permit was authorized were as follows:

- "1. Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in same form as that which applicant executed on December 30, 1938, as a condition to issuance of permit dated December 31, 1938.
- "2. Prior to issuance of general voting permit authorized herein, applicant shall deliver to you in

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- "duplicate Exhibit L (Form P-3) executed by Northwestern State Bank, Hillsboro, North Dakota, Stock Yards Insurance Agency, Sioux City, Iowa, and Northwestern Mortgage Company, Minneapolis, Minnesota, and Exhibit N (Form P-4) executed by applicant and consented to by such organizations, or furnish assurances satisfactory to you that it will deliver such exhibits to you within 30 days after issuance of general voting permit authorized herein.
- "3. Prior to or simultaneously with issuance of general voting permit authorized herein, Austin State Bank, Austin, Minnesota, State Bank of Northfield, Northfield, Minnesota, and State Bank of Virginia, Virginia, Minnesota, shall be admitted to membership in the Federal Reserve System."

Approved unanimously.

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

"Referring Executive Order No. 9112 of March 26, 1942, and Board's Regulation V, before approving rates to be charged on advances and guarantees made by Federal Reserve Banks as fiscal agents of United States on behalf of War Department, Navy Department or Maritime Commission, they were discussed in great detail with representatives of those agencies and particularly with representatives of War Department. They were also discussed with representatives of Federal Reserve Banks who attended the conference held in Washington on April 1, 1942, to consider Board's proposed Regulation V and instructions to be issued by War Department, Navy Department, and Maritime Commission after consultation with Board of Governors. It appeared to be the consensus of those participating in these discussions that maximum rate that should be charged on any loan which was participated in or guaranteed, in whole or in part, by War Department, Navy Department, or Maritime Commission should be five per cent and that charge for guarantees should bear a relationship to loan rate. Since advances and commitments made by Federal Reserve Banks under provisions of Section 13b will presumably,

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"for most part, be for financing war production and since such loans may in certain cases be guaranteed by War Department, Navy Department, or Maritime Commission, Board would appreciate it if the Directors of your Bank would review rates charged for advances and commitments under Section 13b in light of rates approved for advances and guarantees made pursuant to provisions of Executive Order No. 9112. Merely for consideration, it has been suggested that rates on 13b advances and commitments might be as follows: On advances made direct to established businesses, including advances made in participation with other financing institutions, 2-1/2 to 5 per cent. On commitments to make advances direct to business enterprises, 10 to 25 per cent of rate to be charged borrower with a minimum of one-half per cent. On advances taken over from financing institutions under commitments, rate charged borrower on portion for which Federal Reserve Bank assumes the risk, and rate charged borrower less the commitment charge on portion on which financing institution assumes the risk. On commitments to financing institutions, 10 to 25 per cent of rate charged borrower with a minimum of one-half per cent, provided that no commitment shall be given on a loan on which borrower is charged more than 5 per cent. Board will appreciate your views at your early convenience."

Approved unanimously.

Telegram to the Presidents of all the Federal Reserve Banks,

reading as follows:

"Pending appointment of Liaison Officer at your Bank, reasonable efforts should be made to obtain information in connection with applications for loans or guarantees pursuant to Executive Order #9112 that ordinarily would be obtained from such Liaison Officers, but such applications should not be delayed materially because of inability to obtain such information. Applications should be forwarded to Washington with statement that you are unable to obtain certain specified information without unduly holding application."

Approved unanimously.

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Memorandum dated April 28, 1942, from the War Loans Committee, recommending that, for the purpose of gearing the operations of the Federal Reserve Banks to the war production program and particularly to war loans under Executive Order No. 9112, Regulation S, Discounts, Purchases, Loans and Commitments by Federal Reserve Banks to Provide Working Capital for Established Industrial or Commercial Businesses, be amended, effective immediately, in the manner outlined in a memorandum dated April 28, 1942, from Mr. Vest, Assistant General Counsel.

Thereupon, the following resolution was adopted by unanimous vote:

Resolved, That Regulation S, Discounts, Purchases, Loans and Commitments by Federal Reserve Banks to Provide Working Capital for Established Industrial or Commercial Businesses, be amended to read as follows, effective immediately:

"REGULATION S

"Industrial Loans by Federal Reserve Banks

"INTRODUCTION

"This regulation is based upon and issued pursuant to section 13b of the Federal Reserve Act, as amended, and other provisions of law. The provisions of section 13b and certain other related statutory provisions are set forth in the Appendix to the regulation.

"SECTION 1. TRANSACTIONS BY FEDERAL RESERVE BANKS WITH FINANCING INSTITUTIONS

"(a) Legal Requirements. - Under the provisions of subsection (b) of section 13b of the Federal Reserve Act, a Federal Reserve Bank is authorized to discount obligations for, purchase obligations from, and make loans or advances on the security of such obligations direct to, any bank, trust company, mortgage company, credit corporation for industry or other financing institution (hereinafter referred to as 'financing institution') operating

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"in its district and to make commitments with regard to such discounts, purchases, loans or advances, subject to the following requirements:

(1) Obligations which are the subject of such discounts, purchases, loans, advances, or commitments must have been or must be entered into for the purpose of obtaining working capital for an established industrial or commercial business;

(2) Such obligations must have a maturity of not exceeding five years;

(3) Each such financing institution shall -

(A) Obligate itself to the satisfaction of the Federal Reserve Bank for at least 20 per centum of any loss which may be sustained by the Reserve Bank upon any such obligation acquired from such financing institution, the existence and amount of any such loss to be determined in accordance with subsection (c) of this section; or

(B) In lieu thereof, advance at least 20 per centum of such working capital and in such event the advances by both such financing institution and the Federal Reserve Bank shall be considered as one advance and repayment shall be made on a pro rata basis.

"(b) Applications by financing institutions. - An application¹ by a financing institution for the discount or purchase of an obligation entered into for the purpose of obtaining working capital for an established industrial or commercial business located in any Federal

"1/ Attention is invited to the requirements of subsections (h) and (k) of section 22 of the Federal Reserve Act quoted in the Appendix to this regulation, with regard to material statements or overvaluation of security in connection with applications of this kind and with regard to the giving or receiving of fees, commissions, bonuses, or things of value for procuring or endeavoring to procure from a Federal Reserve Bank any credit accommodation, either directly from such Federal Reserve Bank or indirectly through any financing institution.

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"Reserve district or for a loan or advance on the security of such an obligation or for a commitment with regard to such discount, purchase, loan, or advance, may be transmitted to the Federal Reserve Bank of any district in which the applicant financing institution is operating and shall be submitted by such Federal Reserve Bank to the Industrial Advisory Committee of such district. Such application may be made on a form furnished for that purpose by the Federal Reserve Bank and must contain or be accompanied by such information, agreements, and documents as the Federal Reserve Bank may require.

"(c) Existence and amount of losses. - The Federal Reserve Bank shall be deemed to have sustained a loss upon any obligation acquired from a financing institution in accordance with the provisions of this section of this regulation whenever the board of directors of the Reserve Bank, after investigation, shall have determined that such obligation or any part thereof is a loss and the Reserve Bank shall have charged off of its books the amount so determined to be a loss, subject to review by the Board of Governors of the Federal Reserve System. The amount of loss in any such case shall be deemed to be the amount so charged off, together with unpaid interest thereon. Such financing institution shall reimburse the Federal Reserve Bank for the portion of such loss for which such financing institution shall have obligated itself, with interest on such portion of such loss until the date of such reimbursement. If any recovery be realized on the amount of the loss ascertained in accordance with this subsection, such financing institution and the Federal Reserve Bank shall be entitled to share pro rata in the amount so recovered.

"SECTION 2. DIRECT TRANSACTIONS BY
FEDERAL RESERVE BANKS WITH ESTABLISHED
INDUSTRIAL OR COMMERCIAL BUSINESSES

"(a) Legal Requirements. - A Federal Reserve Bank may exercise its authority to make loans to or purchase obligations of an established industrial or commercial business having an office or place of business in its district or to make commitments with respect thereto under subsection (a) of section 13b of the Federal Reserve Act: (1) in exceptional circumstances pursuant to the authority hereinafter granted by the Board of Governors of the Federal Reserve System; (2) when it

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"appears to the satisfaction of the Federal Reserve Bank that such established industrial or commercial business is unable to obtain requisite financial assistance on a reasonable basis from the usual sources; (3) for the purpose of providing such established industrial or commercial business with working capital; (4) on a reasonable and sound basis; and (5) with respect to obligations which have maturities not exceeding five years.

"(b) Authorization by Board of Governors of the Federal Reserve System. - The Board of Governors of the Federal Reserve System, pursuant to the provisions of subsection (a) of section 13b of the Federal Reserve Act, hereby authorizes every Federal Reserve Bank, until such time as the Board of Governors may revoke or modify such authority, to make loans to and purchase obligations of established industrial or commercial businesses, and to make commitments with respect thereto, subject to the provisions of the law and this regulation.

"(c) Applications by established industrial or commercial businesses. - An application¹ by an established industrial or commercial business for a loan to, or the purchase of the obligations of, such business, or a commitment with respect to such a loan or purchase, may be transmitted to the Federal Reserve Bank of any district in which an office or place of business of the applicant is located and shall be submitted by such Federal Reserve Bank to the Industrial Advisory Committee of such district. Such application may be made on a form furnished for that purpose by the Federal Reserve Bank and must contain or be accompanied by such information, agreements, and documents as the Federal Reserve Bank may require.

"SECTION 3. INDUSTRIAL ADVISORY COMMITTEES

"(a) Membership of committees. - The Industrial Advisory Committee established in each Federal Reserve

"1/ Attention is invited to the requirements of subsections (h) and (k) of section 22 of the Federal Reserve Act quoted in the Appendix to this regulation, with regard to material statements or overvaluation of security in connection with applications of this kind and with regard to the giving or receiving of fees, commissions, bonuses, or things of value for procuring or endeavoring to procure from a Federal Reserve Bank any credit accommodation, either directly from such Federal Reserve Bank or indirectly through any financing institution.

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"district under the provisions of subsection (d) of section 13b of the Federal Reserve Act shall consist of five members actively engaged in some industrial pursuit within the Federal Reserve district in which the committee is established. The membership of such committee shall consist of persons who are familiar with the problems and needs of industry and commerce in such district.

"On or before the 15th day of February of each year, the board of directors of each Federal Reserve Bank shall submit to the Board of Governors of the Federal Reserve System the names of the persons selected to serve for the ensuing year as members of the Industrial Advisory Committee of the district of such Federal Reserve Bank, and, if approved by the Board of Governors, such persons shall serve for terms of one year commencing on the 1st day of March of such year. Vacancies that may occur in the membership of such committees shall be filled in like manner, and persons appointed to fill such vacancies shall hold office for the unexpired terms of their predecessors.

"(b) Recommendations of committees. - The Industrial Advisory Committee, to which an application for any such discount, purchase, loan, advance, or commitment by the Federal Reserve Bank of the district shall have been submitted, after an examination by it of the business with respect to which the application is made and a consideration of the necessity and advisability of granting the application and of such other factors as it may deem appropriate, shall transmit the application to the Federal Reserve Bank together with the recommendation of the committee.

"SECTION 4. AGGREGATE AMOUNT OF ACCOMMODATIONS
WHICH MAY BE EXTENDED BY A FEDERAL RESERVE BANK

"Except with the permission of the Board of Governors of the Federal Reserve System, the aggregate amount of loans, advances, and commitments of each Federal Reserve Bank made pursuant to the provisions of section 13b of the Federal Reserve Act and outstanding, plus the amount of purchases and discounts acquired under that section and held at the same time, shall not exceed the surplus of such Federal Reserve Bank as of July 1, 1934, plus all amounts paid to such Federal Reserve Bank by the Secretary of the Treasury under subsection (e) of section 13b of the Federal Reserve Act.

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"SECTION 5. RATES

"All rates of interest and of discount established by any Federal Reserve Bank with respect to loans, advances, discounts and purchases made under authority of the provisions of section 13b of the Federal Reserve Act, and all charges established by any Reserve Bank with respect to commitments made under such authority, shall be subject to review and determination of the Board of Governors of the Federal Reserve System.

"SECTION 6. REPORTS BY FEDERAL RESERVE BANKS

"Each Federal Reserve Bank shall make a daily report to the Board of Governors of the Federal Reserve System of all transactions entered into pursuant to the authority conferred by section 13b of the Federal Reserve Act on the Board's form B D 4, prescribed for the reporting of discount transactions.

"SECTION 7. CHANGES IN REGULATIONS

"The Board of Governors of the Federal Reserve System, pursuant to the authority conferred upon it by section 13b of the Federal Reserve Act, may alter, modify, or amend the provisions of this regulation from time to time in its discretion."

In connection with the above action, unanimous approval was also given to the following letter to the Presidents of all the Federal Reserve Banks:

"The Board of Governors has revised its Regulation S relating to industrial loans by Federal Reserve Banks effective today. The changes which have been made in the Regulation are merely of a clarifying or technical character and are intended to facilitate the participation of the Federal Reserve Banks in the program of war financing contemplated by the President's Executive Order No. 9112 of March 26, 1942.

"The text of the revised Regulation S, with the exception of the appendix, is enclosed herewith. Printed copies of the revised Regulation will be mailed you as soon as practicable; and in this connection it will be appreciated if you will advise the Board of the number of copies which will be required for the use of your Bank."

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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 April 21 with respect to the determination of 'appraisal guide values' in cases where an automobile is equipped with an overdrive or automatic transmission as extra equipment. Under the terms of the Board's letter to the guide book publishers to which you refer, a statement in a guide book placing a higher valuation on cars with such extra equipment produces the same effect as if the guide book had printed two separate quotations, one for the car with standard equipment and a higher figure for cars of the same make and model having such extra equipment.

"In cases where a designated guide book does not estimate any additional value for cars with overdrive or automatic transmission, the effect is that of quoting one single figure for all cars of the given make and model whether they do or do not have such equipment. It is true, of course, that this constitutes some inconsistency between the guide books designated for purposes of Regulation W, but as you are aware, the Board has not undertaken to resolve such inconsistencies, preferring to permit each publisher to quote prices on such basis as he deems most suitable and correct."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. ...
Chairman.