

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, May 6, 1942, at 11:00 a.m.

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

Mr. Morrill, Secretary  
 Mr. Bethea, Assistant Secretary  
 Mr. Carpenter, Assistant Secretary  
 Mr. Clayton, Assistant to the Chairman

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 5, 1942, were approved unanimously.

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

"In accordance with the request contained in your letter of May 2, 1942, the Board approves the designation of Morgan L. Shaw and Lloyd B. Raisty as special assistant examiners for the Federal Reserve Bank of Atlanta, with the understanding, of course, that they will not be transferred permanently to examination work without the Board's prior approval."

Approved unanimously.

Letter to the board of directors of the "Bank of Oakfield", Oakfield, Wisconsin, 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

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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 'Bank of Oakfield', Oakfield, Wisconsin, 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 Banking for the State of Wisconsin for his information.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring the elimination of losses has not been prescribed. It is assumed, however, that proper provision for losses will be made as a matter of sound banking practice.

"It is assumed also that the Reserve Bank will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings account listed on page 16 of the report of examination for membership."

Telegram to Mr. Day, President of the Federal Reserve Bank of San Francisco, stating that, effective if and when the bank is duly authorized to commence business by the appropriate State authorities, and 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 application of the "Peoples Bank", Lakewood Village, California, for membership in the Federal Reserve System and for the

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appropriate amount of stock in the Federal Reserve Bank of San Francisco:

- "4. If, without prior written approval of the Board of Governors of the Federal Reserve System, Transamerica Corporation or any unit of the Transamerica group, including Bank of America National Trust and Savings Association, or any holding company affiliate or any subsidiary thereof, acquires, directly or indirectly, through the mechanism of extension of loans for the purpose of acquiring bank stock, or in any other manner, any interest in such bank, other than such as may arise out of usual correspondent bank relationships, such bank, within 60 days after written notice from the Board of Governors of the Federal Reserve System, shall withdraw from membership in the Federal Reserve System."

The telegram requested that the Reserve Bank advise the applicant bank of the Board's approval of the application and conditions of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter to the Peoples Bank containing detailed advice regarding such approval and also the following special comment would be forwarded to the applicant bank through the Reserve Bank as soon as possible:

"The application for membership has been approved upon representations that the bank is a bona fide local independent institution and that no holding company group has any interest in the bank at the time of its admission to membership, and that the directors and stockholders of the bank have no plans, commitments or understandings looking toward a change in the status of the bank as a local independent institution. Condition of membership numbered 4 is designed to maintain that status."

Approved unanimously, together with letters to Honorable Preston Delano, Comptroller of the Currency, and Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, advising them of the Board's approval of the application.



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Letter to Mr. McRae, Chief Examiner of the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of April 10, 1942, enclosing a letter dated April 9, 1942, from Minot, Kendall & Co. Inc., Boston, Massachusetts, inquiring whether Regulation T forbids a dealer, in the regular course of business, from purchasing from a customer securities called for redemption in order that the customer may purchase from the dealer, with the proceeds of the sale, other securities in advance of the call date, which may be as much as 30 days from the date on which the called securities are purchased by the dealer.

"Nothing in S-233, Reg. T-93, to which you referred, would prohibit transactions of the foregoing class if, in good faith and without any attempt to evade or circumvent the provisions of the regulation, there actually is a sale of the called security to the dealer. In fact, the validity of such transactions is supported by the principle announced in the last two paragraphs of S-233, Reg. T-93. As you point out, such a sale would permit the customer to make immediate payment for the securities purchased for him. No extension of credit would be involved."

Approved unanimously.

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

"In connection with the execution of guarantees under Regulation V, the question has arisen whether final consummation of a loan which is to be guaranteed and which is to be secured by assignments of contracts should be deferred until receipt by the assignee of accepted notices of assignment or until notices of such assignment have been delivered to the proper officers in accordance with Treasury Department Procurement Division Circular No. 447 of December 3, 1940.

"For your information, there is quoted below an excerpt from a memorandum regarding this question which has been received by the Board of Governors from the War Department:

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"Please be advised that where loans guaranteed under Regulation V are to be secured by assignment of contracts the funds may be released in so far as the War Department is concerned immediately upon execution of the assignment by the contractor even though that assignment is not perfected by proper filing until later."

Approved unanimously.

Letter to Mr. Allen, Manager of the Credit Department of the Federal Reserve Bank of New York, reading as follows:

"In reply to your letter of April 18 (your inquiry No. 16) there is enclosed a copy of a letter dated April 17 to Mr. Hale of the Federal Reserve Bank of San Francisco which gives the answer to the first question. You will note that the answer agrees with the answer suggested by you.

"The second question is answered by the wording of section 13(d) of the revised regulation, which you now have received. That section provides that the amount of credit extended pursuant to section 4 is limited where the Federal price authorities have prescribed a maximum retail price, but since section 13(d) does not refer to section 6, the limitation of course does not apply to credit extended pursuant to section 6."

Approved unanimously.

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

"Your wire April 21 regarding automobile not listed in appraisal guide consulted by dealer.

"Section 13(c) of Regulation W refers to value stated in any guide which the Board may designate for use in the particular territory. Consequently, dealer is not restricted to value stated in the appraisal guide to which he subscribes if a higher value is stated in another appraisal guide designated by the Board for use in that territory. Similarly, if the guide to which the dealer subscribes does not give a price for the particular model of automobile, the dealer

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"should not extend credit based on the selling price if other guides designated for use in that area give a lower value for that model. In such a case, however, if the dealer acted in entire good faith and in ignorance of fact that the model was quoted in other guides, it might be difficult as a practical matter to convict him of a violation of the Regulation."

Approved unanimously.

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

"Your letter of April 28, 1942, asks about the length of time a Registrant under Regulation W should retain records covering instalment credit.

"The Board has not yet formulated a policy on this matter and is glad to have your opinion. The subject will need to be given attention before very long.

"Although no time limits have been prescribed for the keeping of records in general, it should be noted that both the Statement of Borrower and the Statement of Necessity instruct Registrants to keep the Statements on file. Therefore, these Statements should be retained pending the establishment of time limits by the Board."

Approved unanimously.

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

"Receipt is acknowledged of your letter of April 30 regarding the effect of Regulation W where a borrower seeks a loan of \$130.00 to finance the purchase of a listed article having a maximum credit value of \$80.00, which was purchased within 45 days or which will be purchased thereafter, and to pay a grocery bill of \$50.00. The question is whether the entire loan may be secured by a chattel mortgage on the listed article.

"You enclose a complete opinion of your counsel on the question, which refers to the Board's letter of February 20, 1942, and reaches the conclusion that the answer to the question is in the affirmative.



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"There would seem to be no reason to differ with this conclusion, on the basis of the Regulation as it then was. The revised Regulation, which crossed your letter in the mail, does not contain a provision regarding articles purchased within 45 days (see section 6(a) which corresponds to old section 5(a)). Consequently the specific question presented will no longer arise.

"However, much the same problem arises with respect to instalment loans partly for the purpose of purchasing a listed article (as described in section 6(a) of the revised Regulation) and partly for other purposes. For these cases the answer is the same under the revised Regulation as that given by your counsel with respect to the inquiry originally presented. You will note that section 12(b) deals with this situation."

Approved unanimously.

Letter to Mr. James McCawley, Secretary of the United Roofing Contractors Association, New York, New York, reading as follows:

"I regret that there has been a delay in replying to your letter of April 16 in regard to our letter of April 8 concerning Regulation W but this has been due to the fact that intensive consideration was being given to the revision of Regulation W which has been announced effective May 6. By the time you receive this letter you will no doubt have been acquainted with the effect of that revision which changes very materially a number of features of the Regulation as it stood under Amendment No. 3. Consequently, the wording of the second paragraph of our letter of April 8 is not now appropriate. If, however, you wish to quote the subsequent paragraphs of our letter, there is no objection to your doing so."

Approved unanimously.

Letter to Mr. Ben Zenoff, Zenoff Motors, Chicago, Illinois, reading as follows:

"This is with reference to your letter of April 13, 1942, which enclosed copies of your correspondence with

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"the Federal Reserve Bank of Chicago in connection with a plan for the sale of used automobiles.

"The Board agrees with the view taken by the Federal Reserve Bank of Chicago.

"In accordance with your request we are returning the correspondence referred to above."

Approved unanimously.

Letter to Mr. George F. Howard, Managing Editor of the Kelley Blue Book, Los Angeles, California, reading as follows:

"This will acknowledge your letter of April 28, suggesting that the Board include the Kelley Blue Book among the automobile appraisal guides designated for purposes of Regulation W in Montana, Colorado, New Mexico, and part of Texas.

"As the Board stated to Mr. Kelley in a letter dated March 27, it had been our understanding that the market for used automobiles in the states which you mention was sufficiently different from the market in California that a compilation of California values would not be representative of the markets in these other states. Information which the Board has received since that date has not indicated any change in this relationship. It is noted that you point out in your letter of April 28 that your survey of values in these states indicates that they are in line with those of the extreme western states and, of course, if you care to submit any data in support of this contention, the Board will be very glad to give further consideration to this point."

Approved unanimously.

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

"This refers to your letter of April 24 regarding requests for weekly figures of bank debits to be derived from the new monthly reports.

"As you know, the weekly publication of figures for individual centers is being discontinued because it is felt that the monthly figures are more significant and



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"are less seriously affected by seasonal and unusual transactions. For the same reasons it is believed that the compilation of weekly figures for individual reporting centers, where such compilation can be made from the monthly reports to be received hereafter, would not be worth while, and it is suggested that any one making a request for such figures be advised that they are no longer compiled."

Approved unanimously, together with a letter to the Presidents of all the Federal Reserve Banks, except St. Louis, transmitting copies of the above letter.

Thereupon the meeting adjourned.

Chester Morie

Secretary.

Approved:

W. C. C. C.

Chairman.