

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, May 7, 1942, at 11:00 a.m.

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

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 6, 1942, were approved unanimously.

Memorandum dated May 5, 1942, from Mr. Nelson, Assistant Secretary, recommending that Ralph A. Sherrod be appointed as a junior operator (duplicating devices) in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,260 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated May 2, 1942, from Mr. Nelson, Assistant Secretary, recommending that David Sullivan be promoted from the position of guard in the Secretary's Office to the position of senior guard on

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a temporary basis for an indefinite period, and that his salary be increased from \$1,500 to \$1,560 per annum, effective May 16, 1942, and continuing only during the period he serves as senior guard.

Approved unanimously.

Memorandum dated May 4, 1942, from Mr. Paulger, Chief of the Division of Examinations, recommending that George H. Folsom, a Federal Reserve Examiner in that Division, be granted leave of absence without pay beginning May 15, 1942, so that he might enter active duty with the United States Army, and that he be granted the benefits provided in the policy adopted by the Board on November 14, 1940, and amended August 20, 1941, for all employees entering military service.

Approved unanimously.

Memorandum dated April 28, 1942, from Governor Draper, recommending that, because of the serious illness of her mother, Miss Margaret E. Rauber, his secretary, be granted a leave of absence without pay, beginning April 16, 1942, for a period of not to exceed 90 days, and that during her absence the Board continue to make its contributions to the retirement system on her behalf provided that she continues to make her own contributions during the period.

Approved unanimously.

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

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"In accordance with the requests contained in your letters of April 29, 1942, the Board approves the appointments of Charles J. Scanlon and Denver B. Brann, at present assistant examiners, as examiners for the Federal Reserve Bank of Chicago. Please advise us of the effective dates and please forward a recent photograph of each."

Approved unanimously.

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

"It is noted from your letter of April 27, 1942, that at the meeting of the board of directors of your bank on April 23 Mr. Clarence M. Stewart, formerly Cashier and Secretary, was elected Vice President and Secretary of the bank.

"It is assumed that no change was made in Mr. Stewart's salary and, in accordance with the procedure outlined in the Board's letter of September 6, 1941 (S-312), the Board approves a salary for him in the new position at the present rate of \$10,000 per annum for the period ending May 31, 1942."

Approved unanimously.

Letter to the board of directors of "The Farmers State Bank, of Englewood, Ohio", Englewood, Ohio, 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 Cleveland.

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

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"The Board of Governors of the Federal Reserve System approves the application of 'The Farmers State Bank, of Englewood, Ohio', Englewood, Ohio, 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 Superintendent of Banks for the State of Ohio for his information.

"According to the comments of the examiner in the report of examination for membership, the bank has never adopted any rules and regulations for its savings department, pass books issued to savings depositors are the commercial department pass books with the caption 'Savings Account' written in at the time of issue, and the signature cards of savings depositors do not show proper evidence of the fact that the accounts are savings accounts. It is assumed, of course, that the Reserve Bank will follow to a conclusion the matter of the bank's bringing its operations in this respect into conformity with the provisions of law and the Board's regulations, and it will be appreciated if you will advise the Board when the necessary corrective steps have been taken."

Letter to Mr. J. R. Colbeck, Vice President of The Minnesota National Bank of Duluth, Duluth, Minnesota, reading as follows:

"In reply to your letter of April 24, 1942, asking whether the Board would grant limited fiduciary powers to a national bank in the State of Michigan, you are advised that it has long been the general practice of the Board to grant fiduciary powers only in the terms of section 11(k) of the Federal Reserve Act, and when granting a specific power not to restrict it to particular accounts or classes of accounts.

"A national bank which does not desire full trust powers may apply for and, if found qualified, be granted one or more of the eight specific trust powers enumerated in section 11(k). While the Board has, in a few instances, granted authority to a national bank to accept one or more appointments of a particular kind or type of trust, it has

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"done so only in exceptional cases where the special facts and circumstances seem to justify such action.

"A copy of your letter of April 24, and of this letter, are being furnished to the Federal Reserve Bank of Minneapolis, and it is suggested that if you desire any further information in this connection you communicate with the Reserve Bank."

Approved unanimously.

Statement prepared by Messrs. Ransom, Szymczak, and McKee in accordance with the action taken at the meeting of the Board on May 5, 1942, and reading as follows. The statement in its final form had also been approved by Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, and Mr. Delano, Comptroller of the Currency.

"In accordance with that part of the President's Special Message to Congress of April 27 which urged the paying off of debts as a restraint upon rising living costs, the Comptroller of the Currency, the Board of Directors of the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System have issued the following joint statement with respect to the procedure to be followed by their respective organizations to encourage the reduction of individual debt through amortization of bank loans:

'One of the greatest advances in banking practices during recent years has been the wide acceptance of the principle of amortization of debts. This principle is incorporated in Regulation W, issued by the Board of Governors of the Federal Reserve System, which relates to consumer credit and applies to certain types of bank loans.

'In the exercise of their supervisory responsibilities, the Comptroller of the Currency, the Board of Directors of the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System urge that the principle of amortization be extended to other loans which are not subject to the provisions of Regulation W, particularly to the volume of single-payment loans to individuals for nonproductive purposes presently outstanding.

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"The examiners for the respective agencies are being instructed to pay particular attention in the course of their examinations to individual debt to determine whether it is being reduced and to the circumstances which may be preventing its reduction or preventing it being put on an amortization basis. The examiners are likewise being instructed to include in their reports of examination comments as to the extent to which the bank has cooperated in the program for reduction of personal indebtedness incurred for nonproductive purposes, and as to the results achieved.

'In order to provide a measure of the volume of personal loans, banks will be asked from time to time to report information as to the amounts of single-payment personal loans on their books in addition to information now being reported as to instalment paper.'

Approved unanimously, for release in the morning papers of Friday, May 8, 1942.

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

"Sale of listed article in charge account with an agreement, arrangement or understanding that the credit will later be converted into an instalment contract violates sections 5(a) and 11(a) of Regulation W. You may use the foregoing in local press release if you so desire."

Approved unanimously.

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

"Reg. WR-1. Regulation W as revised effective May 6, 1942 places no restriction on renewals or revisions of a single-payment loan originally made prior to May 6, 1942."

Approved unanimously.

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

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"Receipt is acknowledged of your letter of April 25, 1942, asking a question under section 8 (now section 10) of Regulation W.

"You give as an example the case of an individual who has been making payments totaling \$32.00 a month on 4 instalment contracts, each of which had an original maturity of 6 months or less but which could have been written for considerably longer maturities. The individual now needs \$100.00 and applies to a bank for a loan in that amount to be consolidated with the other obligations. The entire obligation will be in an amount of approximately \$180.00 and the instalments will be at the rate of \$20.00 a month.

"You point out that the \$20.00 monthly payments on the consolidated obligation are smaller than the total of the payments on the original contracts, but you state that you have expressed the opinion that these terms would be permissible since the result could be accomplished in two steps, by revising the original contracts so as to provide longer maturities and then adding on the \$100.00 under Option 2.

"This practice would be permissible, for the reasons which you have given, in view of S-414 dated December 26, 1941. The additional qualification which you have made, namely, that the Registrant should attach a memorandum to the new obligation containing a mathematical computation of the steps by which the result was accomplished, would seem to be very desirable from the standpoint of enforcement."

Approved unanimously.

Telegram to Mr. Sam H. Siegel, Secretary of the Hebrew Mutual Association, Inc., Haines City, Florida, reading as follows:

"Answering your telegram to Congressman Peterson, associations like yours are subject to Regulation W of the Board of Governors of the Federal Reserve System as to loans of description carefully set forth in regulation. These do not include, however, 'any loan for business purposes to a business enterprise which is not for the purpose of purchasing a listed article'. Since administration of Regulation W is on a decentralized basis, we

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"suggest that you make further inquiry of Jacksonville Branch of Federal Reserve Bank of Atlanta."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks, except New York, Minneapolis, and Dallas, reading as follows:

"In the Board's letter of December 22, 1941, it was stated that engineers on the staff of the Office of Public Works would, upon request, study existing structures and make recommendations as to protective measures that should be taken. Subsequently three Federal Reserve Banks forwarded plans of their head office buildings to the Board, and these plans are now being studied by the Protective Construction Unit of the Public Buildings Administration, a group charged with the duty of developing plans for the safeguarding of public buildings and their contents during the existing emergency. As a first step the Protective Construction Unit has recommended areas not involving new construction that offer the best shelter immediately available for protection of personnel from blasts and splinters.

"The Board has recently received a letter from the Protective Construction Unit indicating that it is now engaged in working on plans to protect all communication systems, transformers, switchboards, guard rooms, and all other equipment that is vital to 24-hour operation of the buildings. It is proposed to provide barriers or baffles against blasts and splinters at all exterior openings of rooms or enclosures housing personnel or equipment essential to the operation of any or all of the foregoing, including rooms housing telephone, telegraph, teletype, and radio equipment. All windows, the heads of which are two feet or more above area and retaining walls or grade levels and in the stories above, which occur in the rooms involved, will receive consideration.

"It is our understanding that the Protective Construction Unit will study each case referred to it, recommend protective construction, and provide detailed plans therefor in such manner that any necessary work can be undertaken without further delay. However, it is not proposed to begin any recommended construction until the War and Navy Departments deem it advisable.

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"Protective measures taken by various Federal Reserve Banks against damage from sabotage and air raids, which were summarized in the Board's letter of March 14, 1942, show that some of the Reserve Banks have undertaken protective construction of vital areas and equipment. It is possible, however, that you may wish to take advantage of the services of the Public Buildings Administration. If so, please send us for transmission to the Protective Construction Unit floor plans, on which have been indicated the rooms and other spaces, if any, of the buildings involved which need attention on the basis outlined. At the same time it will be appreciated if you will advise us the name of the officer of your Bank with whom correspondence should be conducted should it be necessary for the Board or the Protective Construction Unit to obtain additional information in respect to your building."

Approved unanimously.

Telegram to Mr. Shepherd, Assistant Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"Referring your May 6 wire, in an emergency when no other currency in the \$5 and \$50 denominations is available, Federal Reserve notes of the 1928 series may be used to the extent necessary. You will be advised shortly with respect to additional printing order for \$5 notes."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morrie
Secretary.

Approved:

W. C. C. C.
Chairman.