

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, June 10, 1942, at 11:00 a.m.

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

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

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

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on June 9, 1942, were approved unanimously.

Memorandum dated June 9, 1942, from Mr. Nelson, Assistant Secretary, recommending that Paul Snouffer be appointed as a guard in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,380 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, with the understanding that if his work is satisfactory during the first six months of his appointment a further recommendation will be submitted asking that his salary be increased to \$1,500 per annum.

Approved unanimously.

Memorandum dated June 9, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation

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of Miss A. June Anderson as a clerk-stenographer in that Division, to become effective as of the close of business on June 18, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated June 9, 1942, from Mr. Nelson, Assistant Secretary, submitting the resignation of M. H. Hixson as a guard in the Secretary's Office, to become effective as of the close of business on June 15, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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

"Board approves appointment, effective June 22, 1942, of J. V. Kelly as an examiner for Federal Reserve Bank of Dallas."

Approved unanimously.

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

"Recently a letter was received from one of the Federal Reserve Banks inquiring as to what extent the War Department, Navy Department, and Maritime Commission desired Federal Reserve Banks to check the action of financing institutions in disbursing and servicing loans guaranteed pursuant to the provisions of Executive Order 9112, with a view to making sure that the financing institutions have taken all necessary steps to obtain the required collateral, observe the provisions of the loan agreements, and comply with any other conditions upon which the guarantee agreements have been issued.

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"In its letter, the Federal Reserve Bank states that, in its opinion, the loans must either be followed closely from the time of execution of the guarantee agreement or else it must be understood that purchases are to be made upon request without a preliminary check to determine whether the financing institution is in a position to furnish the intended security and to demonstrate its compliance with other conditions upon which the purchase commitment was made.

"This matter has been discussed informally with representatives of the War Department, Navy Department, and Maritime Commission and, in the circumstances, it is felt that it would be helpful to such agencies in formulating their views to know what the practice of the Federal Reserve Banks has been in the case of loans made by financing institutions with respect to which the Federal Reserve Banks have issued commitments, as authorized by Section 13b of the Federal Reserve Act.

"Accordingly, it will be appreciated if you will furnish us with a brief statement as to your practice in this respect. It will also be appreciated if you will advise us whether, in your opinion, the same procedure should be followed with respect to loans guaranteed pursuant to Executive Order 9112. If you believe the practice with respect to the two classes of loans should be different, it will be appreciated if you will set forth specifically the procedure you would recommend as to loans guaranteed by the War Department, Navy Department, and Maritime Commission."

Approved unanimously.

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

"In reply to your inquiry, it is suggested that 365 days be used in computing interest and guarantee fees due War Department, Navy Department, and Maritime Commission on loans made or guaranteed on their behalf."

Approved unanimously.

Telegram to Mr. Bloomfield, Assistant Cashier of the Detroit Branch of the Federal Reserve Bank of Chicago, reading as follows:

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"Your wire June 4 regarding applicability to Navy Department contracts of Board's letter of May 6, 1942 (S-470) with respect to making of guaranteed loan prior to filing of notice of assignment of contract. Board sent memorandum to Navy Department regarding this subject and has received memorandum from S. A. Mitchell, Chief, Finance Section, Navy Department, dated June 8, 1942, containing the following statement:

'The Navy Department agrees entirely with the attitude taken by the War Department as quoted in Mr. Bethea's letter of May 6, 1942, on the above subject.'

Approved unanimously.

Letter to Mr. Wallace, Counsel of the Federal Reserve Bank of Richmond, reading as follows:

"Thank you for your letter of June 5, discussing the application of Regulation W to the charge accounts of school teachers, and enclosing a letter which you received from Mr. J. F. Wood on this subject.

"The analysis of this subject as reflected in your letter and in that of Mr. Wood appears to be correct, although it may be noted that if a teacher has saved enough out of her salary to pay for her June and July needs, the charges for her August purchases would not go into default under section 5 of Regulation W until October 10 at which time she would ordinarily have received some payment of salary. As we have not received any comments on this point from other Federal Reserve Districts, it seems doubtful whether the present rule will have any important undesirable effects, although, of course, the matter will be given further consideration in connection with any future amendment of Regulation W."

Approved unanimously.

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

"With your letter of May 19, 1942, there was enclosed a copy of a letter of May 14 from Hixons, Milwaukee, Wisconsin,

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"inquiring whether Regulation W covers the storage, cleaning and glazing, alteration or repair of fur coats, the price of which is charged to the customer's account immediately, but payment is not required until several months later when the coat is called for.

"The question is whether under section 5(c) of Regulation W, the account of the customer is in default because these services have not been paid for within the time specified in that section. The Board is of the opinion that such service is not an 'article' (either listed or unlisted) within the meaning of section 5(c), and that therefore the account is not in default where the service is not paid for within the time specified. It is assumed that in these cases the value of any materials used in repairing or altering the coat is insignificant in comparison with the total cost of such services.

"Both the inquiry from Hixons, and the copy of the letter of May 26 from The Rollins Co. of Detroit, Michigan, enclosed with your letter of June 1, involved questions relating to the date on which the charge sale is to be considered as having been made. Several similar questions have been received from other Federal Reserve Banks, and you will be advised of the Board's views as promptly as possible."

Approved unanimously.

Telegram to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Retel June 8. Section 8(k) of Regulation W exempts certain types of loans from requirements of Regulation, but even if loan is not exempted by that section it would nevertheless be not subject to the Regulation if over \$1500 as explained in S-490."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"Receipt is acknowledged of your letter of May 28,

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"1942, regarding the question whether Mr. Henry James of Abilene, Texas, may serve a national bank in Abilene, a national bank in Baird, a State bank in Tuscola, and, at the same time, be a partner in a private banking firm in Bradshaw, Texas, in view of section 8 of the Clayton Act and the Board's Regulation L.

"As pointed out by your counsel, Mr. Stroud, the word 'banks' in section 2(d)(5) of the Regulation does not include a private partnership. This paragraph, of course, is a paraphrase of paragraph 5 of the statute, and when Regulation L was being rewritten following the enactment of the Banking Act of 1935, the Board and its staff were keenly aware of the problem which arose from what seemed to be a mistake in drafting on the part of the Congress, and the Board did everything in its power to correct it by the provision in section 3(d)(3) of the Regulation. However, the Board is authorized to permit, by regulation, service with 'not more than one such institution', and the provision in section 3(d)(3) is limited accordingly.

"It may be of interest to you to know that this is the first time that an actual case involving this problem has come to the Board's attention.

"The Board will be glad to receive any comments which you may have, either before or after communicating with Mr. James."

Approved unanimously.

Memorandum dated June 9, 1942, from Mr. Smead, Chief of the Division of Bank Operations, reading as follows:

"There is attached a proposed letter to the Federal Reserve Banks transmitting forms and instructions for the use of State bank members on the forthcoming mid-year call for condition reports.

"In the call report (form F.R. 105) provision has been made for reporting separately the amounts of Treasury certificates of indebtedness and United States savings bonds, in accordance with the request of the Under Secretary of the Treasury. The form has also been revised so as to provide that reciprocal inter-bank demand balances with banks in the United States should be reported net, instead of gross as heretofore.

"Form F.R. 105-i, which is the schedule of 'Personal loans and retail instalment paper', has been revised by

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"the addition of a new item 'Personal single-payment loans'. In addition some of the definitions have been changed in the interest of clarity.

"All of these changes have been cleared with the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The schedule on personal loans and retail instalment paper has also been cleared with Mr. Rolf Nugent of the Office of Price Administration."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris

Secretary.

Approved:

W. S. ...

Chairman.