

7/31/42
A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, July 31, 1942, at 11:15 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

There were presented telegrams to Messrs. Treiber and McCreedy, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. Wagner, Vice President of the Federal Reserve Bank of Cleveland, Messrs. Dillard and Stewart, Secretaries of the Federal Reserve Banks of Chicago and St. Louis, respectively, and Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on July 28, by the Federal Reserve Bank of Kansas City on July 29, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, and Kansas City on July 30, 1942, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

7/31/42

-2-

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 30, 1942, were approved unanimously.

Memorandum dated July 28, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Robert Triffin be appointed as an associate economist in that Division, with salary at the rate of \$4,600 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 July 30, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Mrs. Margaret Richards Pabst be appointed as a junior economist in that Division, with salary at the rate of \$3,600 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated July 24, 1942, from Mr. Morrill, recommending that the following increases in salaries of employees in the Secretary's Office be approved, effective as of August 1, 1942:

7/31/42

-3-

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Building Operation & Maintenance Section</u>			
Charles R. Nichols	Guard	\$1,380	\$1,500
Thomas Cook	Guard	1,380	1,500
J. Woodley Boothe	Guard	1,380	1,500
E. M. Dial	Guard	1,380	1,500
Clifford B. Myers	Guard	1,380	1,500
Morris Mayhew	Gardener	1,560	1,620
Donal Phillips	Elevator Operator	1,200	1,320
<u>Service Functions</u>			
Stanley Bloch	Foreman Operator (Duplicating Devices)	2,200	2,300
Reginald C. Power	Junior Operator (Duplicating Devices)	1,560	1,680
Nelson Dyson	Junior Operator (Duplicating Devices)	1,620	1,680
Robert H. Jones	Junior Mail Clerk	1,380	1,500

Approved unanimously.

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

"Reference is made to the report of examination of the 'Berwind Bank', Berwind, West Virginia, made as of June 3, 1942, on pages T-1 and T-3 of which information is given in regard to a corporate trusteeship accepted by the bank since the previous examination.

"The bank was admitted to membership in the Federal Reserve System in 1920, subject to a condition of membership to the effect that except with the approval of the Board there shall be no change in the general character of its assets or broadening in the functions exercised by it at the time of its admission. The Board has heretofore taken the position that the exercise of trust powers by a State member bank constitutes a broadening of its functions within the meaning of this condition, and since the bank apparently was not exercising trust powers at the time of its admission to membership, it should have obtained permission of the Board prior to assuming any fiduciary activities.

"It does not appear from the information available that the bank contemplates transacting a general trust

7/31/42

-4-

"business, and the Board will raise no objection to its continuing to handle the one corporate trusteeship now held by it, but if the bank should desire to exercise trust powers in other instances it should first obtain the permission of the Board. Please advise the bank accordingly."

Approved unanimously.

Letter to Mr. Trimble, Assistant General Counsel of the Federal Reserve Bank of New York, reading as follows:

"This is to acknowledge receipt of your letter of July 27, 1942 enclosing six copies of a new form of loan agreement prepared by you for use in connection with loans guaranteed under Executive Order No. 9112.

"It is noted that a sentence has been added at the end of paragraph 5 of the form of loan agreement regarding the protection afforded the borrower by a guarantee agreement and providing that the borrower shall give notice to the Financing Institution of the cancellation of any war contract of the borrower. In accordance with your request, we have informally consulted the War Department as to the propriety of this sentence and have been advised that the War Department will have no objection to its inclusion in the form of loan agreement."

Approved unanimously.

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

"Re telegram of July 27 on railroad watches. Amendment (to Regulation W) dependent upon War Production Board order which is expected shortly. Practice you describe would not be permissible. Pending amendment suggest exploration of possibility that the loaner watch might be rented without lay-away plan on new watch."

Approved unanimously.

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

7/31/42

-5-

"Re telegram July 28 concerning Amendment No. 6 (to Regulation W), credit for so-called insulating materials used on exterior of building is not exempt. Claim of fuel saving was considered when amendment was under study but factual information on the subject always welcome."

Approved unanimously.

Letter to Mr. Baker, Manager of the Consumer Credit Department, Federal Reserve Bank of Minneapolis, reading as follows:

"In your letter of July 17, 1942 to Dr. Parry, you presented certain questions relating to the 'defense housing' exemption in section 8(e) of Regulation W. You indicate that these questions, together with our answers, might be useful as criteria in judging inquiries in this connection which have become numerous since the change in the designation procedure by Order No. 8 of the Administrator of the National Housing Agency. Your questions are quoted below, followed in each instance by the Board's response thereto.

'1. May (the exemption in section 8(e))

* * * be used in cases where credit is extended on furnaces or other "listed articles", other than articles listed in Group C of the Regulation?'

"Section 8(e) exempts extensions of credit to acquire furnaces or other listed articles, including materials and services covered in Group C of section 13(a), if such articles are used in the remodeling or rehabilitation of a structure covered in that section.

'2. Must (the 8(e) exemption) * * * be in connection with war workers' accommodations, or may it apply to any project which is located in a defense housing critical area?'

"The exemption of section 8(e) covers not only projects involving additional living accommodations suitable for war workers, but also projects essential to the continued habitation of any structure located in a Defense Housing Critical Area and meeting certain conditions as to location in relation to war activities, if the other conditions essential to the application of the exemption exist.

'3. If (such exemption) * * * applies to furnaces, would it cover a case where a stoker is sold to replace one beyond repair?'

7/31/42

-6-

"It would not appear that this type of repair would come within the provisions of Order No. 3 relating to additional housing accommodations. Moreover, you will note that a project which is exempt because essential to continued habitation covers repair or restoration of living accommodations, without change of design, which if not made would require the occupant to move to other living accommodations. The replacement of a stoker would seem to meet these requirements only very rarely, if at all, since the heating system could be hand-fired.

'4. Would (such exemption) * * * cover a situation where a party wishes to replace a workable gas furnace with a coal furnace, or where there is a conversion of a gas furnace into a coal furnace?'

"This question should be answered in the negative, since it does not appear that either the replacement or conversion is essential to continued habitation or otherwise involved in a project entitled to exemption. Conversion of existing heating equipment is, of course, now provided for by Amendment No. 6 to Regulation W, but such amendment is not applicable to the replacement of one type of furnace with another."

Approved unanimously.

Letter to the Federal Reserve Bank of Minneapolis, reading as follows:

"There is respectfully referred to you for reply the attached letter from Mr. Carl Collins, Belfield, North Dakota.

"Mr. Collins requests a copy of Regulation W and information on its application to charge accounts. He encloses a letter which he received from a creditor, Determann's of Belfield, North Dakota.

"The letter from Determann's to Mr. Collins seems to us to be a particularly objectionable specimen of a form letter stating that the Federal Reserve Board requires that the customer pay up or make other arrangements to the satisfaction of the creditor. This is an extreme example of the kind of case discussed in Mr. Parry's telegram of July 20 to Mr. Swanson and, while various suggestions regarding a possible System program to deal adequately with this evil are under consideration,

7/31/42

-7-

"it is hoped that you will be able to proceed at once to correct Mr. Determann's understanding of the regulation.

"Mr. Collins has not been advised of the reference of his letter to you."

Approved unanimously.

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

"Thank you for your letter of July 15 enclosing a copy of a letter received from Silvers of Oakland, California, and an advertisement of promotion items by Harold A. Lifton Co., New York City.

"As pointed out in the final paragraph of our letter of July 23, written in reply to your letter of June 25 about a case involving the sale of ten pairs of curtains at the same time, the determination of the answers to questions of this kind depends to a great extent upon the nature of the articles and the methods employed in selling them. We have noted that the advertisement that you sent us says in part:

'The Federal Reserve Board states, you may sell a group of promotions, each selling for less than \$6.00 at NO MONEY DOWN and only \$1.25 PER WEEK for the entire gross sum. That means, if you featured FIVE PROMOTIONS IN ONE AD, each item is ONLY 25¢ A WEEK.'

and, since the offering and sale of several items together on this basis may in some cases cause the items to constitute a single group within the meaning of section 12(1) of Regulation W, we have called this item to the attention of the Federal Reserve Bank of New York in whose district the principal office of the advertiser appears to be located."

Approved unanimously.

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

"This is in reply to your letter of July 23 regarding cases in which the Board's present Form F.R. 565, Statement of Necessity to Prevent Undue Hardship, does

7/31/42

-8-

"not appear entirely appropriate because of the inclusion of the word 'instalment' in the form.

"It is noted that you have informed an inquirer that pending revision of Form F.R. 565 by the Board it will be permissible to delete the word 'instalment' from the face of the form whenever the form is used in connection with the refinancing of a charge account or a single payment loan, and the Board agrees with your position in this matter.

"It is expected that the revision of Form F.R. 565 will be taken up in due course. In this connection, the suggestions contained in your letter of July 23 will be noted, and any further suggestions that you may care to make on this subject will also be welcome. The matter of revising Form F.R. 565 does not seem urgent however, in view of the relatively minor changes by which Registrants can adapt the present form, and some delay may give us the benefit of some experience by Registrants in the use of these forms in connection with charge accounts or single payment loans."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

McCool
Chairman.