

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, August 3, 1942, at 2:15 p.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

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 August 1, 1942, were approved unanimously.

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

"Board approves appointment of George William Stover as Federal Reserve Agent's Representative at the El Paso Branch, at his present salary of \$2,400 per annum, to succeed Grover C. Page, effective upon Mr. Page's resignation, and in accordance with the terms of your letter of July 29, 1942."

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 23, 1942, you stated that you have advised a Registrant that, by virtue of the exemption in section 8(a) of Regulation W, such Registrant may make a loan, secured by bona fide first lien on improved real estate duly recorded, to refinance an extension of credit originally made by another Registrant on terms violating the Regulation.

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"The Board agrees with the view that a loan covered by the exemption of section 8(a) is not affected by the restrictions and requirements of the Regulation; and use of the proceeds as indicated above would not constitute an exception to such view.

"While receipt of payment by the Registrant making the original extension of credit, which you indicate was in violation of the Regulation, might very well be prohibited by section 3(a)(2), it is the Board's view that, unless the Registrant making the loan to refinance such original extension of credit participated in the violation relating thereto, his conduct in making funds available for payment of the original extension of credit should not be deemed a participation in the violation that may result from the receipt of payment by the original Registrant."

Approved unanimously.

Letter to Mr. R. J. Tobin, President of the Tilo Roofing Company, Inc., Stratford, Connecticut, reading as follows:

"This will acknowledge and thank you for your letter of July 21, 1942, enclosing a report of your Engineering Department concerning the reduction of heat loss which would be expected to result, under specified conditions, from the application of your siding and roofing products over present walls and roofs of existing structures. This information was given careful consideration in the studies which led up to the adoption of Amendment No. 6 to Regulation W, a copy of which is enclosed.

"The special exemption provided by Amendment No. 6, as you will note, applies in general only to materials which are used wholly or mainly as insulation rather than as structural parts. In deciding not to include such materials as siding and roofing, after giving due weight to their value in reducing heat loss, the Board was influenced by countervailing considerations, including the undesirability of relaxing the restrictions of Regulation W over a wider field than necessary for the immediate purpose. There seemed, on the whole, to be good technical grounds for drawing the line at the point where it is drawn by Amendment No. 6.

"As the President stated in his message to Congress on April 27, the curtailment of consumer credit is one of the necessary steps to be taken as a part of the program

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"to neutralize the forces working toward the advance of prices. The regulation of such credit can be relaxed only when circumstances, such as the acute shortage of transportation facilities for fuel, develop an urgent necessity for special treatment of some particular class of credit and then relaxed only to the extent required to meet the particular situation that has developed.

"Your comments on this subject, as well as those received from other interested parties and from a number of interested Government agencies, have been most helpful. We should like you to feel that the question in which you are interested, and which has been decided for the present at least, is one that the Board has taken seriously and has tried to decide as best it can in the light of all the relevant considerations."

Approved unanimously, with the understanding that a copy of the above letter would be sent to the Presidents of all the Federal Reserve Banks.

Thereupon the meeting adjourned.

Chester Brown
Secretary.

Approved:

W. C. C. C.
Chairman.