

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, August 12, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Szymczak  
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 hereinafter 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 11, 1942, were approved unanimously.

Memoranda dated August 10, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, (1) discussing the problems faced by the Division in maintaining an adequate staff and (2) recommending that the salary of G. L. Bach, an Associate Economist in that Division, be increased from \$4,200 to \$5,000 per annum, effective August 16, 1942.

The recommended increase was approved unanimously.

Memorandum dated August 10, 1942, from Mr. Paulger, Chief of the Division of Examinations, submitting the resignation of Mrs.

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Julia B. Hopkins as an Assistant Federal Reserve Examiner, to become effective as of the close of business on August 23, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to the board of directors of "The Havre de Grace Banking and Trust Company", Havre de Grace, Maryland, stating that, subject to conditions of membership numbered 1 to 6 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 Richmond.

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Havre de Grace Banking and Trust Company', Havre de Grace, Maryland, 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 Bank Commissioner for the State of Maryland for his information.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the requirements with respect to savings deposit withdrawals.

"Since it is understood that in the State of Maryland trust funds deposited by a bank in its own banking department are preferred claims in the event of liquidation of the bank, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance with condition of membership numbered 6 until further notice."

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Memorandum dated August 11, 1942, from Mr. Ransom and Mr. Parry, Chief of the Division of Security Loans, submitting and recommending the adoption, effective immediately, of Amendment No. 8 to Regulation W which would (1) remove an obstacle created by the regulation to the making of certain loans to farmers, such as "wheat loans", by the Commodity Credit Corporation or by banks cooperating with the Corporation in its loan program, (2) permit certain railroad employees whose jobs require them to have a precision watch to purchase such a watch on instalments without having to make a down payment, (3) change the required down payment for reupholstering furniture from the  $33\frac{1}{3}$  per cent now applicable to this item to 20 per cent, the figure now applicable to furniture, and (4) extend to single-payment loans for medical and certain other purposes the same exemption that now applies to instalment loans for these purposes, and to credit sales of unlisted articles for resale the same exemption that now applies to credit sales of listed articles for resale.

By unanimous vote, the following amendment to Regulation W, Consumer Credit, was adopted, effective immediately, with the understanding that the Federal Reserve Banks would be advised by wire of the Board's action and would be requested to have the amendment printed and to distribute it to interested persons:

"Amendment No. 8 to Regulation W  
"Regulation W is hereby amended in the following respects, effective August 12, 1942:

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"1. By striking out the word 'instalment' in the first line of section 8(c) entitled 'Educational, Hospital, Medical, Dental, and Funeral Expenses!'

"2. By striking out the phrase 'in any listed article' and the word 'such' in section 8(f) entitled 'Credit to Dealers.'

"3. By adding the following new subsection at the end of section 8:

"(n) Railroad Watches.--Any extension of credit to finance the purchase of a railroad standard watch (whether new or used) by a railroad time service employee, provided the Registrant obtains a certification with respect to such employee in the form prescribed by General Limitation Order of the War Production Board limiting the transfer of railroad standard watches.

"4. By adding the following new subsection at the end of section 8:

"(o) Commodity Credit Corporation.--Any extension of credit made by the Commodity Credit Corporation or made by a Registrant in accordance with a loan program formulated and administered by the Commodity Credit Corporation.

"5. By amending Item 1 in Group B in section 13(a) to read as follows:

"1. Furniture, household (including ice refrigerators, bed springs, mattresses, and materials and services employed in reupholstering)."

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

"Your letter of August 5, 1942 asked whether or not credit to finance installation of insulating board is exempted from Regulation W by Amendment No. 6 if the insulating board is applied to the outside of an existing structure which is later covered with siding.

"It is the view of the Board that such an application would not be within the meaning of the language used in section 8(m) inasmuch as the insulating board is not installed within the presently existing structure.

"We recognize that this may be considered a close question; but in addition to the failure of this sort of application to qualify for exemption under section 8(m), such application is one of the types which the

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"Board did not wish to encourage by the amendment. For the insulation so obtained, the cost would be relatively high, while for the same expenditure for the types of installations covered by section 8(m), much greater insulation value would be obtained."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie

Secretary.

Approved:

W. C. ...

Chairman.