

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, January 30, 1943, at 11:00 a.m.

PRESENT: 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 herein-  
after referred to was taken by the Board:

Telegram to Mr. Hitt, First Vice President of the Federal Reserve  
Bank of St. Louis, reading as follows:

"Retel Board approves designation of Arthur M. Markham,  
Jr., as special assistant examiner."

Approved unanimously.

Letter to the board of directors of the "First State Bank of  
Grayslake", Grayslake, Illinois, 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 Re-  
serve System and for the appropriate amount of stock in the Federal Re-  
serve Bank of Chicago.

Approved unanimously, together with a  
letter to Mr. Young, President of the Fed-  
eral Reserve Bank of Chicago, reading as  
follows:

"The Board of Governors of the Federal Reserve System  
approves the application of the 'First State Bank of Grays-  
lake', Grayslake, Illinois, for membership in the Federal

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"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 Auditor of Public Accounts for the State of Illinois for his information.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It is assumed, however, that proper provision for losses will be made as a matter of sound banking practice.

"It has been noted that you have been assured that steps will be taken to secure the collective judgment of the directorate or duly appointed committees of directors in the prior consideration of loans and investments."

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

"We have read and considered with care your letter of January 9, 1943, in which you discuss the proposal that instalment sales scheduled to pay out within a short period such as forty days be exempt from the down-payment requirements of Regulation W. This is a matter which, as you know, has troubled us for some time for reasons which you have mentioned in your letter. Our consideration of the problem has led us to the tentative conclusion that, for the present at least, we should not change the regulation in the manner that you suggest. This does not preclude future action to that effect, and is based principally on the view that the arguments for and against such an amendment are rather evenly balanced and that in these circumstances the presumption is in favor of retaining the status quo.

"You will be interested in some of the arguments that have been made against the change. In the first place, the exemption would result in the removal of a certain amount of restraint. How much would be difficult to say, but it is certainly true that some of the fields in which the present requirement applies restraint are fields in which merchants cannot switch customers to true charge accounts without considerable difficulty. Secondly, the exemption would tend to blur, even more than it is blurred already, the distinction between instalment credit and charge-account credit. There is undoubtedly an area where the two overlap, or seem to do so, but our efforts hitherto have been in the direction of separating them rather than bringing them closer together,

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"and the reasons for continuing to do so seem on balance to be at least a little better. In the third place, such an exemption would be a very distinct encouragement to 'no-down-payment advertising' which is a thing we should like to minimize as much as possible. Fourthly, there is a difficult problem in deciding just what provisions should be applicable to short-term instalment credits of this kind if they are exempt from the down payment. Clearly it would not be possible to apply all the other regular instalment provisions, since many of these are predicated on considerably longer maturities. If the short-term instalment accounts were not only exempted from down payments but were treated in other respects in the same manner as charge accounts there would probably be operating and investigating difficulties.

"We appreciate your point that there is a real handicap on the investigators when they are trying to make a distinction between a charge sale and an instalment sale in this field. It must be recognized that it would probably be difficult in many cases to prove to the satisfaction of a jury that the sale is of the one type or the other, but we wonder if the evidence is not usually sufficient to make it possible for the investigator, by informal means, to get the Registrant into line. In talking with several men at other Federal Reserve Banks we have received the impression that this problem has been bothering them but that it has not been so acute as they had at first supposed and that it is yielding to persuasion. It cannot be denied that with the best of enforcement there will continue to be some avoidance through this channel, but we doubt that there will be so much as to make a great deal of difference.

"You will understand that this letter is not intended to foreclose discussion, but only to indicate that we should like to 'lay the matter on the table' for the present."

Approved unanimously.

Letter to Mr. John B. Blandford, Jr., Administrator of the National Housing Agency, reading as follows:

"This is in reply to your letter of January 29, 1943, concerning a proposed change in the procedure for the designation of remodeling and rehabilitation projects as 'defense housing' for purposes of section 8(e) of the Board's Regulation W.

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"The Board is conscious of the fact that this is a matter of great difficulty and is appreciative of the efforts you have made to overcome some of the abuses that appear to have developed under the old procedure. The Board has considered the proposed change and has no objection to it.

"It is recognized that, in the final analysis, a decision as to whether or not a proposed repair is essential to continued habitation is a matter of judgment which is being left to be determined by a party in interest. On the other hand, it is appreciated that there are serious practical difficulties in having every project approved by a Government agency, such as the National Housing Agency, or one of its divisions. Under the circumstances, there seems to be no alternative to a further trial of the 'creditor approval' method. It is noted that copies of the completed forms, after approval by the initial Registrant, will be sent to the nearest office of the National Housing Agency. This procedure will not only help to inject some caution into the Registrants' practices, but also provide some means of judging whether or not the plan is operating reasonably well.

"As soon as the new order and form have been adopted, we should like to have 15 copies so that we may send prompt notice to the Federal Reserve Banks.

"It is assumed that you will distribute copies of the new order and form widely so that notice of the change of procedure will be brought to the attention of contractors and lending institutions. It has been found that the Federal Reserve Banks receive requests for information on this subject from time to time, and we should like to have 3,000 copies of the order and form as soon as they are available so that we may send them to the Federal Reserve Banks."

Approved unanimously.

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Boston, made as of December 1, 1942, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished President Paddock.

"The Board wishes your attention to be called specifically to the examiner's comments contained in pages 7-14. The Board feels that the matters therein referred to should be given your continued careful consideration, and would

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"like to be advised as soon as practicable of action taken or to be taken by you and your board of directors on these very important matters."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 17, 1942, for printing Federal Reserve notes of the 1934 Series in the amounts and denominations stated for the following Federal Reserve Banks:

	<u>Denomi- nations</u>	<u>Number of sheets</u>	<u>Amount</u>
Boston	5's	150,000	\$9,000,000
	20's	150,000	36,000,000
Philadelphia	5's	300,000	18,000,000
	20's	250,000	15,000,000
Cleveland	5's	200,000	24,000,000
	20's	300,000	18,000,000
Richmond	5's	300,000	36,000,000
	20's	150,000	36,000,000
Atlanta	10's	300,000	36,000,000
	20's	100,000	24,000,000
Chicago	5's	1,090,000	65,400,000
	500's	6,400	38,400,000
	1,000's	3,400	40,800,000
	5,000's	200	12,000,000
	10,000's	100	12,000,000
	5's	159,000	9,540,000
St. Louis	10's	86,000	10,320,000
	20's	41,000	9,840,000
	50's	14,000	8,400,000
	10's	50,000	6,000,000
Minneapolis	20's	50,000	12,000,000
	5's	150,000	9,000,000
	10's	100,000	12,000,000
	20's	50,000	12,000,000
Kansas City	500's	500	3,000,000
	5's	80,000	4,800,000
Dallas	10's	90,000	10,800,000
	20's	30,000	7,200,000
	100's	3,000	3,600,000"

Approved unanimously.

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Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

M. J. Spruyak  
Member.