

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 25, 1944, at 11:00 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  
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 meeting of the Board of Governors of the Federal Reserve System held on January 24, 1944, were approved unanimously.

Memorandum dated January 21, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Mrs. Margaret P. Daubenfeld be appointed as a clerk-typist in that Division on a temporary basis for an indefinite period, with basic salary at the rate of \$1,440 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, with the understanding that if anything derogatory develops in the investigation of her references her services may be terminated immediately.

Approved unanimously.

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Memorandum dated January 18, 1944, from Mr. Morrill submitting the resignation of Mrs. Della Payne as a charwoman in the Secretary's Office, effective as of the close of business on January 15, 1944, and recommending that the resignation be accepted as of that date, with the understanding that payment for overdrawn sick leave of 2 days, 1 hour, and 30 minutes will be deducted from amounts due her.

The resignation was accepted as recommended.

Letter to Mr. Ruml, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:

"As requested in Mr. Rice's letter of January 21, 1944, the Board of Governors approves the payment of salaries to the following Alternate Assistant Federal Reserve Agents at your Bank at the annual rates indicated, effective January 1, 1944:

Norman C. Cooper	\$3,820
Edna K. Reynolds (Mrs.)	2,620"

Approved unanimously.

Letter to Mr. H. B. Jackson, Vice President and Secretary of The Morris Plan Industrial Bank of New York, reading as follows:

"This will acknowledge your letter of January 21 relative to the application of Regulation W to extensions of credit for the maintenance and repair of residential property.

"It is noted that you would favor the exemption of such extensions of credit from the regulation on the ground that maintenance of homes is one of the essential needs of the country and that such an exemption would have no material effect on the purposes of the regulation. You may be sure that the views presented in your letter will be given careful consideration in connection with the Board's continuing studies of this subject -- with due recognition

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"of course of the anti-inflationary purposes of the regulation, the need for 'holding the line', and the fact that the standards of maintenance appropriate for wartime are necessarily more severe than those appropriate to peacetime."

Approved unanimously, together with letters to the same general effect to Mr. J. Paul Farrell, Vice President of the National Bank of McKeesport, McKeesport, Pennsylvania, and Mr. H. J. Stoddard, President of the Michigan National Bank, Lansing, Michigan, replying to their letters of January 18 and 20, 1944, respectively.

Letter to Mr. Clyde C. Shively, President of The State Industrial Bank, Columbus, Ohio, reading as follows:

"This is in answer to your letter of January 19 relative to the Board's Regulation W in its application to loans for the repair and modernization of residential properties.

"Since you were one of those who, in the early days of Regulation W, were kind enough to advise with us concerning the regulation of consumer credit, you will have understood for a long time that the prime purpose of Regulation W is to help combat general inflation by restraining the addition of credit dollars to the already excessive spending power of the general public. It is in accord, of course, with the anti-inflation program outlined by the President in April 1942, which refers to the need for discouraging 'credit and instalment buying' and encouraging 'the paying-off of debts, mortgages and other obligations' -- and maintenance of the regulation is also in accord with the spirit and purpose of the President's recent 'hold-the-line' order.

"Your principal proposal, as we understand it, is to the effect that Regulation W should exempt repair and modernization jobs from the regulation altogether, which would be hard to justify at the present time in view of the purposes of Regulation W and the national policy which it helps to implement. The general situation, as you know, is not

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"at this time one in which deflation or business stagnation is the thing to be feared -- as was the case at the time when repair and modernization work was being encouraged by the Government.

"We have never considered that Regulation W contains the implication mentioned in your letter that credit to purchase automobiles is more important than credit to finance repair and modernization jobs. The difference between the 15-month limitation on the one and the 12-month limitation on the other could of course be eliminated by reducing the former to 12 months, as well as by increasing the latter to 15, but we have not as yet seen sufficient reason for doing either of these things.

"The real problem with respect to repairs and replacements, in connection with residential properties, seems to be that of finding some workable method, if possible, by which truly necessitous cases can be distinguished from cases which do not merit special treatment. As to that problem, we should be grateful for all the help that you or your associates in the lending business may be able to give us.

"It may be worth mentioning incidentally, in view of certain references in your letter, that many of these repair and modernization jobs are not subject by Regulation W to any down-payment requirement and that for certain necessitous cases the provisions of Section 8(a) may afford relief."

Approved unanimously.

Letter to Mr. J. Russell Hughes, Assistant Secretary-Treasurer of The Equitable Trust Company, Baltimore, Maryland, reading as follows:

"This will acknowledge your letter of January 20 relative to the workings of the Board's Regulation W as affected by General Order No. 60-4B issued in October by the National Housing Agency. It relates to the meaning of 'defense housing' as that term is used in Section 8(e) of Regulation W.

"We have received several letters which are in substance similar to your own, and you may be sure that we shall give all of them careful consideration in connection with our continuing studies of this subject. It is only fair to say, however, that up to the present time these studies have failed to show that loans for repair and modernization of

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"residential property should be exempted from the regulation at this time, as your letter suggests, in view of the anti-inflation purposes of the regulation and its function in helping to 'hold the line'.

"Both of the hypothetical cases cited in your letter -- the furnace case and the roofing or side-wall case -- illustrate the existence of a problem of which we are aware, but for which we have not yet been able to find a satisfactory measure or an acceptable solution. There are doubtless some cases in which the present terms of the regulation may create undue hardship even after due allowance is made for the fact that the standard of judgment in such matters must be more stern in wartime than in peacetime. Our analysis so far has indicated that these cases, instead of being as common or typical as they are often represented to be by some cash-lenders, must be very rare, but if there are more of them than the survey has revealed and a way can be found to handle them without opening the door to many cases that do not merit special treatment, we should be glad to consider it. We should like to have you understand that within these limitations we are still studying the question and are glad to consider carefully any suggestions that may be brought to our attention."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris

Secretary.

Approved:

W. S. ...

Chairman.