

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 15, 1944, at 11:30 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 March 14, 1944, were approved unanimously.

Memorandum dated March 13, 1944, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that the basic salary of Mrs. Dorothy D. Reeves, his secretary, be increased from \$2,700 to \$2,900 per annum, effective March 16, 1944.

Approved unanimously.

Letter to the board of directors of the "Massanutten Bank of Strasburg", Strasburg, Virginia, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special conditions, the Board approves the bank's application for membership in the Federal Reserve System and for the

3/15/44

-2-

appropriate amount of stock in the Federal Reserve Bank of Richmond:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$6,844.05 as shown in the report of examination of such bank as of January 17, 1944, made by an examiner for the Federal Reserve Bank of Richmond.
- "8. Within 90 days from the date of admission to membership, such bank shall dispose of any loans which may be secured in whole or in part by its own stock, or obtain the substitution of other adequate security for each such loan."

The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the power to guarantee the payment of bonds. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

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 'Massanutten Bank of Strasburg', Strasburg, Virginia, 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

3/15/44

-3-

"is for your files and the other of which you are requested to forward to the Commissioner of Banking for the Commonwealth of Virginia, for his information.

"The Board has not prescribed a special condition of membership with respect to disposition within 12 months of the Shenandoah Lime Company property, as it is felt that, in the absence of unusual circumstances, the matter of disposition of other real estate is more properly an administrative matter than the subject of a condition of membership. It is understood in this connection that the management of the bank is anxious to dispose of the property as soon as possible and that there are several prospective purchasers.

"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 savings account mentioned on page 16 of the report of examination for membership."

Telegram prepared for the signature of Mr. Ransom to Commercial West, Minneapolis, Minnesota, reading as follows:

"Appreciate the opportunity to answer the criticism of the Board's position referred to in your telegram. Such criticism is wholly without foundation. Categorically, the Federal Reserve's position on Regulation Q and on the Brown and Maybank bills is not 'predicated on plan to force all banks on par list and eventually into Federal Reserve System.' The Board's position was predicated on whether a bank was making a practice of absorbing exchange as a device to pay interest to certain depositors upon their demand deposits.

"A letter of March 10, 1944, addressed by the Minnesota Bankers Association to Minnesota nonpar state banks has come to my attention. I take this occasion to commend the intelligent statement of the case which this letter makes.

"It goes without saying that the effectiveness of the Federal Reserve System is dependent upon membership in the System. The Board therefore encourages voluntary membership on the part of state banks and has always taken the position that any bank that might voluntarily make application for membership would be admitted if it met the requirements of membership. The idea that the Board would

3/15/44

-4-

"use a defeat of the Brown-Maybank bills, which have to do with the right of a bank to absorb exchange charges, as a means to force all banks into membership in the System is sheer nonsense and must result from efforts to confuse the issue and becloud the true reasons for the Board's opposition to these two bills.

"That the Board favors par clearance is, of course, a matter of public record. However, along the lines of the thought expressed in the letter of the Minnesota Bankers Association, the Board in its report on the Brown and Maybank bills had this to say: 'The Board recognizes that the final determination of the question of par clearance is one for appropriate legislative bodies.' Any nonmember bank may in its discretion charge exchange if it so desires, and there is nothing in the proposed Brown and Maybank bills that has anything to do with the right of a bank to charge exchange. Any effort to introduce the question of the right of a bank to charge exchange in a discussion of the Brown and Maybank bills must be considered merely one more effort to camouflage the issues involved."

Approved unanimously.

Letter to Mr. W. C. Nesbitt, President of American Auto Appraisal, Detroit, Michigan, reading as follows:

"This letter refers to the designation of your automobile appraisal guide for the purpose of determining maximum credit values of used automobiles under Regulation W.

"Amendment No. 12 to Revised Price Schedule RPS 85 of the Office of Price Administration relating to New Passenger Automobiles, which was effective December 7, 1943, prescribes price ceilings for used 1942 models which depend in part upon the length of time each particular automobile has remained in the possession of any dealer pending sale. It is our understanding that some guide book publishers have come to the conclusion that it is inadvisable under the circumstances to attempt to publish 'estimated average retail values' for used 1942 automobiles. The Board has decided that it will not discontinue the designation of such guide books for purposes of sections 13(b) and 13(e) of Regulation W.

3/15/44

-5-

"Because 'appraisal guide values' will not appear in some books and because other guide books that publish such values might be at a competitive disadvantage if no action were taken, the Board has ruled that any Registrant may, until further notice, disregard with respect to 1942 model automobiles the requirements of sections 13(c) and 13(e) that the 'appraisal guide value' be taken into consideration in determining the down payment or maximum loan for such an automobile. This means that the maximum credit will be two-thirds of the cash price or of the price ceiling, whichever is lower in the particular case."

Approved unanimously, together with identical letters to Mr. T. R. Leonard, Northwest Publishing Co., Seattle, Washington; Mr. George A. Cohan, Used Car Statistical Bureau, Inc., Boston, Massachusetts; Mr. Louis Milan, Executive Vice President of Wisconsin Automotive Trades Association, Madison, Wisconsin; Mr. S. F. D. Meffley, Special Representative, Recording and Statistical Corporation, Chicago, Illinois; Mr. G. A. Leukhart, General Manager of National Used Car Market Report, Inc., Chicago, Illinois; Mr. Walter N. Vesper, Jr., Editor of Used Car Guide, National Automobile Dealers Association, Washington, D. C.; Mr. R. Leslie Kelley, President of Kelley Kar Company, Los Angeles, California; and Mr. Owen J. Boyles, Assistant Director of the Motor Vehicle Division of the State of Nebraska, Lincoln, Nebraska.

Unanimous approval was also given to a letter to the Presidents of all the Federal Reserve Banks, reading as follows:

"This letter relates to the establishment of maximum credit values for used 1942 model automobiles under Regulation W.

"Amendment No. 12 to Revised Price Schedule RPS 85 of the Office of Price Administration relating to New Passenger Automobiles, which was effective December 7, 1943, prescribes price ceilings for used 1942 models that depend in part upon the length of time each particular automobile

3/15/44

-6-

"has remained in the possession of any dealer pending sale. This means that there may be a number of different ceiling prices for the same make and model of automobile in each locality.

"It is our understanding that some guide book publishers have come to the conclusion that it is inadvisable under the circumstances to attempt to publish 'estimated average retail values' for used 1942 automobiles. The Board has decided that it will not discontinue the designation of such guide books for purposes of sections 13(b) and 13(e) of Regulation W.

"Because 'appraisal guide values' will not appear in some books and because other guide books that publish such values might be at a competitive disadvantage if no action were taken, the Board has ruled that any Registrant may, until further notice, disregard with respect to 1942 model automobiles the requirements of sections 13(c) and 13(e) that the 'appraisal guide value' be taken into consideration in determining the down payment or maximum loan for such an automobile. This means that the maximum credit will be two-thirds of the cash price or of the price ceiling, whichever is lower in the particular case.

"The determination of the ceiling price for a 1942 model used automobile is made in accordance with the provisions of RPS 85 as amended to date. We enclose a copy of the price schedule as revised to include Amendment No. 10 and copies of Amendments Nos. 11, 12, and 13. You will note that they refer to certain records, notices, and invoices which may be of aid to you in your enforcement activities."

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

"This refers to your letter of February 23, 1944 enclosing a copy of a letter dated February 21 from Edward T. Goodrich with further reference to Consumers Home Equipment Co. The matter under discussion is the establishing of a 'cash price' within the meaning of section 2(j) and section 4(a)(3) of Regulation W in cases where there is a substantial difference between the cash price and the installment price resulting from 'finance charges' and where the circumstances are such that it may be expected that

-7-

3/15/44

"even though the prospective purchasers are advised of the option to purchase for cash, almost all sales will be made at the higher price on an instalment basis.

"In his letter of February 10, Mr. Hodge said that in view of the very large spread between the time price and the 'cash price' in the case described by Mr. Goodrich, the Board felt that additional information should be obtained before the alleged cash price could be accepted as such for the purposes of the Regulation. Mr. Hodge accordingly stated a number of questions and Mr. Goodrich, in his letter of February 21, gives his answers to these questions but states that in his opinion they are not relevant.

"As you are well aware, the question is a troublesome one. The question centers around the meaning of the phrase 'bona fide' in the definition of 'cash price' in section 2(j). Although the Board at first felt, as indicated in Mr. Hodge's letter of February 10, that in cases of this kind it would be desirable to obtain proof as to a number of aspects of the matter before reaching a conclusion as to whether the cash price was, in fact, bona fide, further consideration has led it to the conclusion that such a requirement is not feasible from an administrative standpoint and that a bona fide cash price within the meaning of section 2(j) is established whenever the merchandise is actually offered for sale for cash at the 'cash price' under such circumstances as to give each customer reasonable notice of the offer and a reasonable opportunity to accept it. Accordingly, the Board feels, upon reconsideration, that the procedure outlined by Mr. Goodrich in his letters of January 4 and February 21 would establish a cash price within the meaning of section 4(a)(3) of the Regulation."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. S. C. C. C.  
Chairman.