A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, March 18, 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 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 March 17, 1944, were approved unanimously.

Letter to Mr. Rice, Vice President of the Federal Reserve Bank of New York, reading as follows:

"In view of the circumstances described in your letter of March 15, 1944, the Board of Governors approves the continuation of the payment of a salary to Mr. James Hallinan as an Assistant Shipping Clerk, Cancelling and Cutting Section, Sorting and Counting Division, Cash Department, until he retires, at the rate of $2,800 per annum, which is $100 in excess of the maximum annual salary provided in the personnel classification plan for the position to which he is assigned."

Approved unanimously.

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

"In accordance with your request, the Board approves the appointment of Otis B. Coppedge, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to the board of directors of "The Hermann Bank", Hermann, Missouri, 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 Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of St. Louis.

Approved unanimously, for transmission through the Federal Reserve Bank of St. Louis.

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

"The long delay in answering your letter of January 11 has been due in part to circumstances beyond our control and in part to the difficulty of the questions.

"The first question arose out of the following facts: A customer is indebted to two loan companies and is delinquent to both. One of them wishes to enforce its obligation by legal action. The other wishes to extend the terms of its obligation but in order to protect itself believes that it must take over the delinquent obligation that is owing to the other Registrant. It wishes to do this by advancing to the customer the amount necessary to retire that obligation. It will then have two loans to the customer, one representing this advance (which would be for the number of months remaining on the old contract, and which would not be in default because it is a new obligation) and the other representing the loan which it already had, and which was already in default. After the new loan has itself gone into default, the company proposes

"to revise both loans under section 10(a)(2) and consolidate them, without having to observe any limitation on the length of the contract.

"In its letter of December 14, the Board stated that this could not be done, although it had stated in S-583 that where a Registrant has 'purchased' a delinquent instalment obligation and has exercised a bona fide collection effort, he may then revise the obligation under section 10(a)(2). You point out that some Registrants are not permitted to purchase obligations and you suggest that there is not much difference from a practical standpoint between the purchase of an obligation and a loan to retire the obligation.

"As was pointed out in the Board's letter of December 14, the policy objection to liberal rulings in cases under section 10(a)(2) is that they would enlarge the opportunity for using that section as a means of evasion. It was pointed out in that letter, as has been stated on several occasions, that section 10(a)(2) as it stands, is loose. In the case which you describe, the Registrant would be making a loan with full knowledge at the time of making it that the loan would not be repaid according to its terms and that it would in fact go into default. He would be expecting by this means to obtain the privilege of revising it on terms which would not have been permitted by the regulation otherwise. As stated in the Board's letter of December 14, the regulation should not prevent a Registrant from taking anything he can get where the debtor is not able to pay the obligation according to its terms; but this principle applies to an obligation held by the Registrant himself and not to an obligation held by another. Therefore, as stated in the Board's letter of December 14, it appears that the answer given in S-583 goes as far as is desirable in this connection.

"Your second inquiry relates to a creditor who, as a matter of policy, does not wish to repossess or sell the property by which the obligation is secured. You have expressed the tentative opinion that a secured creditor may revise an obligation under section 10(a)(2), without utilizing the security, only if (1) the security is not sufficient to liquidate the account or (2) repossessing without litigation is not feasible. This position would seem to be correct. A creditor who does not repossess merely because it is against his policy to do so would not have met the requirements of section 10(a)(2), which permits an

"adjustment only as a last resort and as a measure to be taken for the Registrant's protection after all other means of collection (except litigation) have been exhausted."

Approved unanimously.

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

"This refers to your letter of March 9, 1944, enclosing a copy of a resolution which was adopted by the Executive Committee of the board of directors of your Bank for the purpose of indemnifying the officers, directors and employees of your Bank against personal liability in connection with your Bank's entering into and operating under the proposed share-the-loss agreement of the Federal Reserve Banks.

"In view of the position which the Board has taken, as expressed in its letter of December 14, 1943, it has no objection to the proposed resolution which you enclosed."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved: M S Eccles
Chairman.