

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, March 23, 1944, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice 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 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 22, 1944, were approved unani-
mously.

Memorandum dated March 22, 1944, from Mr. Morrill, recommend-
ing that Mrs. Helen E. Cook be appointed as a file clerk in the Secre-
tary's Office on a temporary basis for a period of not to exceed six
months, 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 investiga-
tion of her references her services may be terminated immediately.

Approved unanimously.

Letter to Mr. Williams, President of the Federal Reserve Bank

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of Philadelphia, reading as follows:

"This is to advise you that the Board of Governors notes without objection the salaries paid to employees of your Bank as of January 1, 1944, as shown in the statement accompanying Mr. McCreedy's letter of March 2, 1944."

Approved unanimously.

Letter to Mr. Paddock, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of March 17, 1944, concerning the special election which will be in order to choose a successor to Mr. Flanders, who has resigned as a Class B director effective April 29, 1944. It is noted that you know of no reason why it would be desirable to change the classification of Group 2 banks for such special election.

"In the circumstances, the Board does not contemplate making any changes at this time in the classification of member banks in your district for electoral purposes."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks, reading as follows:

"For your information there is enclosed a copy of a letter dated February 18, 1944, addressed to the Federal Reserve Bank of Boston by a financing institution in its district, raising questions concerning the interpretation of Paragraphs 6(B) and 6(F) of the April 6, 1943 form of guarantee agreement.

"There are also enclosed a copy of a memorandum dated March 4, 1944, prepared by Mr. Schlaikjer, Counsel for the Federal Reserve Bank of Boston, and a copy of a memorandum from the War Department dated March 18, 1944, signed by Colonel Paul Cleveland, Chief, Advance Payment and Loan Branch, commenting on the letter addressed to the Federal Reserve Bank of Boston and Mr. Schlaikjer's memorandum."

Approved unanimously.

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Memorandum dated March 15, 1944, from Mr. Ransom and Mr. Parry, Director of the Division of Security Loans, submitting and recommending the adoption, for the reasons stated in the memorandum, of the following Amendment No. 11 to Regulation W, Consumer Credit, effective April 3, 1944:

"AMENDMENT NO. 11 TO REGULATION W

"Issued by the Board of Governors
of the Federal Reserve System

"Regulation W is hereby amended in the following respects, effective April 3, 1944:

"1. By amending section 4(a) entitled 'Down Payment' so that clause (3) will read as follows:

"(3) In the case of articles the cash price of which is \$10.00 or less, no down payment is required.

"2. By adding to section 4(d) entitled 'Statement of Transaction' the following sentence:

"The Statement of Transaction need not include a description of the article if it is purchased by means of a coupon book or similar medium of instalment credit upon which a cash down payment of at least one-third of its purchase value has been made.

"3. By adding at the end of section 5(d) entitled 'Curing Defaults' the following paragraph:

"In the case of any charge account obligation of any member or former member of the armed forces of the United States incurred prior to his induction into such service, a default may be cured by the purchaser entering into a written agreement in good faith to make payment according to such terms as the Registrant shall deem it appropriate to require.

"4. By striking out of section 5(f) entitled '"Authorization" of Small Items' the words 'within 15 days from the date of sale' and inserting in lieu thereof the words 'within 30 days from the date of sale'.

"5. By amending section 5(g) so that it will read as follows:

"(g) Small Defaults. - A charge account shall not be deemed to be 'in default' within the meaning of sections 5(c) or 12(m) if the amount in default is less than \$10.00.

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"6. By amending section 6(d) so that it will read as follows:

"(d) Statement of the Borrower. - No Registrant shall make any instalment loan, except under the provisions of section 10(a), unless he shall have accepted in good faith a signed Statement of the Borrower as to the purposes of the loan. Such Statement shall state whether or not any of the proceeds of the loan are to be used to make a down payment on the purchase of a listed article or to be used to purchase any listed article having a cash price of \$15.00 or more, and, if any of the proceeds of the loan are to be so used, such Statement shall identify such listed article and shall state the cash price thereof and the value of any trade-in. Such Statement shall state also whether or not any of the proceeds of the loan are to be used to reduce or retire any instalment sale or instalment loan, or any single-payment loan which is subject to this regulation, or any charge account arising in whole or in part from the sale of a listed article, and, if any of the proceeds are to be so used, shall state the amount of such obligation and the terms of payment. If a Registrant relies in good faith on the facts set out by the obligor in such Statement, it shall be deemed to be correct for the purposes of the Registrant. (The Registrant, at his option, may use either his own form or the most recent Statement of Borrower form prescribed by the Board.)

"7. By amending section 7(c) entitled 'Renewals and Extensions' so that clause (i) of numbered paragraph (3) will read as follows:

"(i) with respect to any obligation of any member or former member of the armed forces of the United States incurred prior to his induction into such service,

"8. By amending section 7(d) so that it will read as follows:

"(d) Statement of the Borrower. - No Registrant shall make any single-payment loan, except under the provisions of section 7(c), unless he shall have accepted in good faith a signed Statement of the Borrower as to the purposes of the loan. Such Statement shall state whether or not any of the proceeds of the loan are to be used to make a down payment on the purchase of a listed article or to be used to purchase any listed article having a cash price of \$15 or more, and, if any of the

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"proceeds of the loan are to be so used, such Statement shall identify such listed article and shall state the cash price thereof and the value of any trade-in. If a Registrant relies in good faith on the facts set out by the obligor in such Statement, it shall be deemed to be correct for the purposes of the Registrant. (The Registrant, at his option, may use either his own form or the most recent Statement of Borrower form prescribed by the Board.)

"9. By amending section 8 entitled 'Exceptions' so that clause (l) of subsection (m) will read as follows:

"(l) the conversion of heating equipment to the use of any other fuel, the repair of heating equipment, or the replacement of heating equipment if it is worn out, damaged beyond repair, or destroyed,

"10. By adding to section 8 entitled 'Exceptions' the following new subsection:

"(p) Loans to Indians. - Any extension of credit made in accordance with regulations of the Secretary of the Interior for the economic development or rehabilitation of Indians.

"11. By amending section 10(a) entitled 'Renewals and Revisions' so that clause (l) will read as follows:

"(l) with respect to any obligation of any member or former member of the armed forces of the United States incurred prior to his induction into such service,

"12. By striking out the phrase 'in form and content prescribed by the Board,' from the second paragraph of section 10(d) entitled 'Statement of Necessity to Prevent Undue Hardship'.

"13. By amending section 12(h) so that it will read as follows:

"(h) Preservation of Records. - Every Registrant shall preserve, for the life of the obligation to which they relate, such books of account, records, and other papers (including any statements required by or obtained pursuant to this regulation) as are relevant to establishing whether or not an extension of credit within the scope of this regulation was in conformity with the requirements thereof, provided, however, that the Statement of the Borrower obtained pursuant to section 6(d) or 7(d) shall be preserved for the life of the obligation to which it relates or for one year, whichever period is longer, and

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"provided further that the Registrant may preserve photographic reproductions in lieu of such books of accounts, records, or papers.

"14. By amending section 12(i) so that it will read as follows:

"(i) Inspections and Production of Records. - For the purpose of determining whether or not there has been compliance with the requirements of this regulation, every person required to be licensed under section 3 shall permit the Board or any Federal Reserve Bank, by its duly authorized representatives, to make such inspections of his business operations as the Board or Federal Reserve Bank may deem necessary or appropriate, including inspections of books of account, contracts, letters or other relevant papers wherever located, and, for such purpose, shall furnish such reports as the Board or the Federal Reserve Bank may require. When ordered to do so by the Board, every such person shall furnish, under oath or otherwise, such information relative to any transaction within the scope of the Executive Order as the Board may deem necessary or appropriate for such purpose, including the production of books of account, contracts, letters or other papers in the custody or control of such person.

"15. By adding to section 12 the following new subsection:

"(n) Mail Orders. - An instalment sale shall not be deemed to be in violation of section 4(a) if the sale is made upon the receipt of a mail order for one or more articles and the cash deposit received with the order fails by less than \$1.00 to equal the sum of the down payments required by this regulation for all of the articles included in the order."

The amendment was adopted by unanimous vote, effective April 3, 1944, and approval was given to (1) a statement with respect to the amendment in the form attached to the memorandum to be given to the press for immediate release, and (2) a telegram to the Presidents of all the Federal Reserve Banks advising them of the Board's action, requesting them to print the amendment and distribute it

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to interested persons, suggesting that the regulation as amended be reprinted as soon as convenient so that copies might be made available to those who wished to have them, and stating that the Board was preparing photo-offset printing negatives for the re-printing of the regulation and would be glad to furnish copies of the negatives to any Reserve Bank which requested them.

Memorandum dated March 20, 1944, from Mr. Carpenter, submitting drafts of entries for the record maintained by the Board in connection with the provisions of the last paragraph of section 10 of the Federal Reserve Act with respect to the policy actions taken by the Federal Open Market Committee during the year 1943.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. C. C. C.
Chairman.