

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, October 23, 1945, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. Draper

Mr. Carpenter, Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Thurston, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Memorandum dated October 22, 1945, from Mr. Carpenter recommending, for the reasons stated in the memorandum, that the Board rescind its action of October 16, 1945, accepting the resignation of Mrs. Helen Cook, a file clerk in the Secretary's Office.

Approved unanimously.

Letter to the "Bank of Holland," Holland, New York, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to membership in the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

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

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"In accordance with the recommendation contained in your letter of October 16, 1945, the Board extends to December 1, 1945, the time within which the Pan American Bank of Miami, Miami, Florida, may accomplish membership.

"The information submitted regarding the new principal executive officer of the bank, and certain other proposed officers, has been noted with interest."

Approved unanimously.

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

"The following is a draft of proposed Amendment No. 19 to Regulation W on which the Board would like to have your comments and suggestions:

"Regulation W is hereby amended in the following respects, effective _____, 1945:

"1. By adding the following sentence to footnote 7 attached to section 10(a) entitled 'Renewals or Revisions':

In any case in which the regulation is amended to increase the maximum maturity for any class of transactions, the terms of repayment 'permitted in the first instance' for such class of transactions shall be deemed to be the terms applicable under the provisions of the amendment.

"2. By changing Option 1 and Option 2 of section 10(b) entitled 'Additions to Outstanding Credit Held by Registrant' to read as follows:

Option 1. The terms of the consolidated obligation shall be such as would have been necessary to meet the requirements of this regulation if the several obligations had not been consolidated, except that (i) the consolidated obligation may provide for a rate of payment (not less than \$5.00 per month or \$1.25 per week) throughout its term which is at least as large per month as the sum of the minimum monthly payments permitted by the regulation for each of the several obligations, and (ii) in order to schedule payments at approximately equal intervals, the consolidated obligation may combine payments

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"that would otherwise have fallen due at different times within any monthly period, but the first of such combined payments shall fall due within one month after such consolidation; or

Option 2. The consolidated obligation shall provide for a rate of payment (not less than \$5.00 per month or \$1.25 per week) throughout its term, which is (i) at least as large per month as the rate of payment or payments on the outstanding obligation or obligations being consolidated would have been for the month commencing on the date of consolidation,⁹ and (ii) is larger to whatever extent may be necessary in order to repay the consolidated obligation with- in whichever of the following periods is applicable: 12 months if any part of the consolidated obligation represents credit extended by the Registrant or by any other Registrant at the time of the consolidation or at any time prior thereto to finance the purchase of any listed article having a cash price of \$15.00 or more, or 18 months if no part of the consolidated obligation represents such credit. (Footnote 9 which relates to refinancing of charge accounts and single-payment loans is unchanged.)

"Proposed amendment is designed merely to give explicit statement to immediate logical implications of 18-month provision of Amendment No. 18. We know that small loan companies will maintain that proposed amendment does not go far enough and that it should go at least so much farther as to permit 18-month maturity under Option 2 if additional advance represents non-purpose money provided only that loan complies with clause (i) of Option 2. We have reason to believe that their proposal would encounter strong objection from instalment vendors and sales finance companies and perhaps also from commercial banks. There is even possibility that these Registrants will feel that Amendment No. 19 as presently proposed goes too far.

"Please check up on these matters for us and give us benefit of your judgment on whether acceptance of small loan proposal would or would not go far towards nullifying requirement that purpose credits of all kinds including

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"refinancing credits shall not have maturity longer than that prescribed for instalment sales of listed articles.

"You will bear in mind that in judgment of Board time is not yet ripe for complete exemption of non-purpose loans or for shortening list of articles or for relaxing any basic requirements on down payments or maturities."

Approved unanimously.

Letter to Mr. Whitney Stone, President of Stone & Webster, Inc., New York, New York, reading as follows:

"Reference is made to your letter of October 1, 1945, with which were enclosed forms of Agreement, Lease, and Sublease, to be used in connection with the proposed business of Farmco, Inc.

"Under the proposed plan as outlined in your letter and in the enclosed forms, Farmco would enter into an agreement with a public utility company and would lease to that company electrical or gas appliances (usually in carload lots) which the utility company would in turn sublease to its customers. The Sublease would be for a year and would continue thereafter with the privilege of the sublessor or sublessee to terminate at any time on a month's notice. The rental would be fixed at a certain figure for the first two years, at a lower figure for the fifth and sixth years, and thereafter at a figure which we understand would approximate the cost of servicing the appliance. However, Farmco would fix the rent for new appliances and the utility company would fix the rent for used appliances (that is, appliances which had been rented to a customer and returned). The Lease and Sublease would specifically provide that neither the utility company nor the customer could at any time acquire ownership of the appliance.

"Accordingly, the customer (sublessee) can keep the appliance as long as he wants by paying a gradually decreasing rental as provided in the Lease but can never become the owner. Either party can, at any time after the expiration of 12 months, cancel the Agreement and the appliance will be taken back by the utility. Thereafter, he could presumably get another appliance under

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"a new Sublease but, as stated above, he could never become the owner.

"After a careful consideration of this matter, the Board has decided that it will not consider the transactions described above to be subject to the provisions of Regulation W. You will understand, however, that the question whether and to what extent any future modification of the Regulation will apply to the transactions in question can only be determined in the light of later developments."

Approved unanimously.

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

"In continuance of the practice of recent years, there are being sent to you under separate cover ^{copies} of work sheets (Form F.R. 456) for use in compiling member bank operating ratios for 1945 and in furnishing such data to the Board. The procedure followed last year should be observed in sending the completed work sheets, or duplicates thereof, to the Board after compilation of the tabulations usually made at your Bank.

"The work sheet has been revised, in cooperation with the Presidents' Conference Committee on Member Bank Operating Ratios, to segregate earnings on United States Government obligations and other securities (items 14a and 14b) and to compute related ratios (items 40a, 40b, 54a, and 54b). These changes were made possible by corresponding changes in the form of reports of earnings and dividends of which you were recently advised."

Approved unanimously.

Memorandum dated October 22, 1945, from Mr. Carpenter reading as follows:

"Attached is a list of records in the Board's files which, with the approval of the interested divisions, it is recommended be destroyed by incineration. All of this

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"material for earlier years has been on destruction lists previously approved by the Board.

"The list is divided according to the divisions of the Board's organization and according to groups I and II. Group I consists of material which the Archivist of the United States, pursuant to the act of Congress approved July 7, 1943, has authorized the Board to dispose of after the respective items have been in existence for the period of time specified. All of these items shown on the list have been retained for the required period.

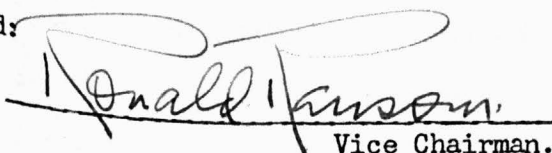
"Group II items consist of duplicated material from other organizations and statements prepared for the current information of the Board and not regarded as essential record material so far as the Board is concerned. The National Archives has taken the position that this material can be disposed of by the Board without obtaining approval of the Archivist or of Congress."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Vice Chairman.