

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, December 3, 1946.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Draper  
Mr. Evans  
Mr. Vardaman

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 2, 1946, were approved unanimously.

Memorandum dated November 27, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that leave without pay be granted to Mrs. Berniece Thomasson, an economist in that Division, for a period not to exceed 1:45 p.m., November 27, 1946, through December 28, 1946. The memorandum also stated that Mrs. Thomasson was a member of the Civil Service Retirement System, and that no question as to contributions to the Retirement System during the period of leave without pay was involved.

Approved unanimously.

Memorandum dated December 2, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Mrs. Myrtle Groves, a cafeteria helper in that Division, be accepted to be effective, in accordance with her request, at the close of business December 4, 1946, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

12/3/46

-2-

Approved unanimously.

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

"In accordance with the request contained in your letter of November 25, 1946, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Richmond:

D. T. Hughes  
G. E. Thompson, Jr.  
L. B. Gee  
S. A. Irby  
R. J. Dixon"

Approved unanimously.

Letter to Mr. Bowman, Manager of the Credit Department of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of November 18, 1946, enclosing copy of a letter dated November 7 from The National City Bank of New York raising certain questions under Regulation W in connection with the installment sale of refrigerators and other electrical appliances in bulk lots to owners of apartment houses and multiple family dwellings.

"You state that it is your understanding that it is a common business practice to finance bulk installment sales of refrigerators to apartment house owners on the basis of conditional sales contracts providing for the sale of a quantity which would involve a deferred balance of more than \$2,000 if the contract were completed on the terms indicated. However, the contract provides for deferred deliveries if requested by the buyer, usually over a fairly extended period of time, and contains provisions permitting the seller to increase or decrease the price at any time before deliveries are completed, the buyer having the option to cancel the contract if he does not wish to accept the new price.

"These provisions of the contract present the possibility that a number of refrigerators involving an aggregate deferred balance of less than \$2,000 may

12/3/46

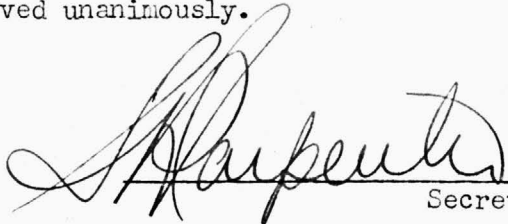
-3-

"be delivered under the contract, either because the number of refrigerators or the price is reduced. The question in effect is whether such a conditional sales contract would be exempt from the requirements of Regulation W.

"The Board agrees with your view that the surrounding circumstances are determinative, and that if the sales contract is entered into in this manner in good faith, as a common business practice and for the convenience of the parties involved, and not for the purpose of evading or circumventing the provisions of the Regulation, the question whether the transaction is subject to the Regulation should be answered on the basis of the expectation that the originally stipulated deliveries at the originally stated prices will be carried out without change.

"On the other hand, if, as you point out, an arrangement of this type is entered into by the parties with the understanding that it will be little more than a revocable option to buy (as you understand is sometimes the case), any general practice of permitting the buyer to rescind his contract at will might well lead to the conclusion that the provision for a purchase of refrigerators in excess of \$2,000 was merely a device to avoid the requirements of Regulation W. Of course, a general adherence to the expressed contract provisions with but isolated instances of rescissions would evidence an intent to extend credit in an amount above the \$2,000 limit, and such isolated transactions would not subject the usual contract to the requirements of the Regulation or make it necessary, in such isolated instances, to accelerate the terms or collect a further down payment."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.