

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 6, 1949.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Draper
Mr. Clayton

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 4, 1949, were approved unanimously.

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

"This refers to your letter of December 22, 1948, and its enclosures, concerning the application of Regulation W to the instalment sale of vacuum cleaners and attachments.

"In the case of a vacuum or suction cleaner having attachments which are all dependent upon a single power unit for their operation and use, it is the Board's view that such attachments are 'accessories' within the meaning of section 8(h)(7), if the vacuum cleaner (or power unit) and dependent attachments are sold at or about the same time. Thus, if the total price, including the cost of the attachments, is \$50 or more, the regulation applies; but if the total price is less than \$50 because the customer does not buy the attachments, then the regulation would not apply.

"On the other hand, if an upright brush-type vacuum cleaner, for example, is sold together with an independently powered and operated hand or 'junior' vacuum cleaner at a combination price, then the transaction would fall within section 6(h) of the regulation. Of course, if each were sold on the basis of their individual prices, without reduction, the fact that the two were bought at or about the same time would not bring the transaction under section 6(h),

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"nor would the hand vacuum cleaner ordinarily be considered an 'accessory' under section 8(h)(7).

"In general, the foregoing would appear to conform with your views."

Approved unanimously.

Letter to Mr. Strothman, Assistant Counsel of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of December 24, 1948, concerning the application of Regulation W to the instalment financing of an automobile purchased to replace one irreparably damaged.

"A Registrant held a chattel mortgage on an automobile as security for an instalment loan to purchase the automobile. The automobile was irreparably damaged, but insurance covering the automobile was slightly more than sufficient to extinguish the loan balance. However, the Registrant proposed to release the insurance money for the borrower's use in making the required down payment on an automobile to replace the damaged one, and in liquidating about one-third of the old loan balance. The Registrant would then take a chattel mortgage on the replacement automobile as security for an instalment loan covering both the maximum loan value of the new automobile and the remaining indebtedness under the old loan.

"The Board is of the opinion that the transaction above proposed would not comply with the regulation. Clearly, the borrower would be receiving more instalment credit in connection with the purchase of the replacement automobile than permitted by section 4 of the regulation. In effect, the proposed transaction would constitute a loan to make a down payment to the extent of the unpaid balance of the old loan."

Approved unanimously.

Telegram dated January 5, 1949, to the Presidents of all Federal Reserve Banks reading as follows:

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"Following statement to be given to press this afternoon for release in morning newspapers of Thursday, January 6:

"Preliminary figures received from the Federal Reserve Banks indicate that during the year 1948 their current earnings amounted to \$304 million, an increase of \$146 million over 1947, reflecting the higher average rate of interest on System holdings of U. S. Government securities. Current expenses were \$73 million, leaving current net earnings of \$231 million, or \$138 million more than in 1947. Net additions to current net earnings amounted to \$6 million, consisting mostly of profits on sales of Government securities. After payments to the U. S. Treasury of \$167 million as interest on outstanding Federal Reserve notes and transfers of \$40 million to reserves for contingencies, there remained net earnings of \$30 million. Dividends to member banks were \$12 million, and \$18 million was added to surplus. Payments to the U. S. Treasury of \$167 million interest on Federal Reserve notes were \$92 million more than in 1947."

Approved unanimously.

Letter prepared for the signature of Mr. Vest, General Counsel, to Mr. George T. Washington, Assistant Solicitor General, Department of Justice, reading as follows:

"Thank you for your letter of December 20, 1948, enclosing two copies of the program of 'Suggested State Legislation' for 1949, containing proposals approved by the drafting committee of the Council of State Governments at the meeting held in Washington on October 7 and 8, 1948.

"We are glad to note that the program contains the proposed securities law amendment with which the Board, as indicated in my letter of September 17, 1948, is in sympathy.

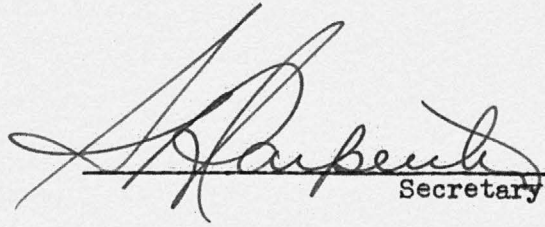
"We also note that the program contains a proposed Act to establish a Small Business Commission. The Board is in sympathy with this suggestion, also, and in view of the Board's responsibilities, particularly in connection with section 13b of the

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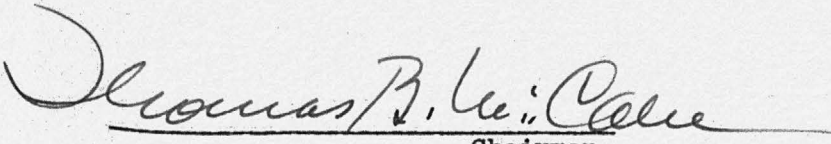
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"Federal Reserve Act, we will appreciate being kept informed concerning any further developments in connection with the proposal relating to small business."

Approved unanimously.


Secretary.

Approved:


Chairman.