

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 13, 1949.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Draper
Mr. Clayton

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

Memorandum dated April 8, 1949, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of Miss Adaline R. Beeson, a file clerk in the Office of the Secretary, from \$2,874.48 to \$3,024.96 per annum, effective April 17, 1949.

Approved unanimously.

Letter prepared for Chairman McCabe's signature to Mr. Arthur C. Bunce, Chief, Economic Cooperation Administration, Mission to Korea, A.P.O. 235 - c/o Postmaster, San Francisco, California, reading as follows:

"I was very glad to receive your letter of March 19 telling me of the value of Mr. Tamagna's recent visit in Korea. I hope that it will now be possible for the Korean authorities, with the help of your organization, to carry out the principal reforms and improvements that were the subject of Mr. Tamagna's discussions.

"If any further assistance from the Federal Reserve System is needed in developing a program of monetary reform and banking reorganization in Korea, I assume that the Economic Cooperation Administration will communicate again with us. The Board of Governors here is always willing to give consideration to requests for help of this kind, although our ability to extend

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"assistance at any particular time is necessarily subject to the other demands that may be made upon our staff."

Approved unanimously.

Letter to the Honorable Lyndon B. Johnson, United States Senate, reading as follows:

"The enclosed letter dated April 5 from Mr. Howard L. Terry, General Manager of Flato's, Houston, Texas, on the subject of Regulation W was received with your memorandum of April 7. Mr. Terry describes a substantial drop in sales volume of appliances and states 'the present business recession in our business is primarily due to this regulation'.

"There are factors other than Regulation W which are exerting an influence on the sales volume of appliances. Declines in the sales volume of some appliances began before the regulation was restored on September 20, 1948. As stated in Mr. Terry's letter, business conditions are more competitive now and there appears to be more consumer buying resistance. There have been declines in sales of jewelry and other articles not subject to the regulation.

"The minimum down payments and maximum maturities established by Regulation W are limits within which creditors arrange terms in keeping with the circumstances of a transaction. It is significant that information we have indicates that many creditors are not inclined to grant as liberal terms as the regulation now permits.

"The Board is constantly studying the scope and effect of Regulation W, so that it may be appropriately adapted to current business and credit conditions, and the points raised by Mr. Terry will receive careful consideration in this study."

Approved unanimously.

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

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"In reply to a recent inquiry concerning Regulation W, the Board has issued the following interpretation which will be published in a forthcoming issue of the Federal Reserve Bulletin.

"Section 6(e) of Regulation W provides that in the case of a bona fide 'lay-away' or other similar plan, the Registrant may treat the extension of credit in connection therewith as occurring at the date of the delivery. It will be seen that if the extension of credit had to be treated as occurring on the earlier date when the lay-away arrangement is initiated, there could be no effective lay-away, since it would be necessary to obtain the full down payment required by the regulation on such earlier date and to have the installment payments on the remaining amount scheduled to begin shortly thereafter. There is, of course, no basis under the regulation for using the delivery date for some purposes and the earlier date for other purposes in connection with such a transaction. Accordingly, if the Registrant wishes to use a lay-away plan, the Board's view is that the down payment or maximum loan value must be calculated in accordance with the provisions of the regulation as of the date of delivery of the article. The Registrant may, of course, calculate the maximum maturity for the transaction as of the same date under section 6(e), or, at his option, use a date not more than fifteen days subsequent to such date in accordance with section 6(b)."

Approved unanimously.

Letter to Mr. S. F. D. Meffley, Special Representative,
Recording & Statistical Corporation, 222 West Adams Street, Chicago 6,
Illinois, reading as follows:

"This refers to your letter of April 7 regarding a report by International News Service that the Board contemplates reducing down payment requirements under Regulation W.

"This report was not authorized by the Board and has no basis in fact."

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Approved unanimously.

[Handwritten signature]
Secretary.

Approved:

[Handwritten signature]
Chairman pro tem.