

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-853

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 3, 1941

Dear Sir:

There is enclosed a copy of a letter, dated June 27, 1941, which the Board has received from the Treasury Department, transmitting a copy of Report No. 709 of the House of Representatives, dated June 2, 1941, with respect to the destruction of certain Fiscal Agency records, and a form for reporting to the Treasury Archivist the disposition made of the records on the list.

Any questions regarding the disposition of the useless records should be taken up with the Treasury Department.

Very truly yours,

A handwritten signature in cursive script, appearing to read "S. R. Carpenter".

S. R. Carpenter,
Assistant Secretary.

Enclosures

(House of Representatives Report sent only with addressed copies)

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

TREASURY DEPARTMENT
Washington

June 27, 1941

AUTHORIZATION FOR THE DISPOSITION
OF USELESS RECORDS

TO: Board of Governors of the Federal Reserve System
Attention: Division of Bank Operations

Pursuant to the terms of the act of August 5, 1939, concerning the disposition of certain records of the United States Government, permission has been granted in House Report No. 709, 77th Congress, 1st Session, dated June 2, 1941, for the disposition of the records described in the following list of useless papers:

Federal Reserve Banks as Fiscal Agents - Form A -
October 24, 1940

Under the terms of section 5 of the act of August 5, 1939, disposition may be made by one of the following methods:

- (a) By sale, upon the best obtainable terms after due publication of notice inviting proposals therefor;
- (b) By causing them to be destroyed;
- (c) By transfer (without cost to the United States Government) to any State or dependency of the United States of America or to any appropriate educational institution, library, museum, historical, research, or patriotic organization therein, that has made application *** therefor, through the Archivist of the United States.

You are hereby instructed to dispose of the records described in the list referred to above, by one of the methods indicated in the preceding paragraph. Records containing confidential information should not be disposed of by sale as waste paper unless their character as records has been destroyed, nor should they be transferred to another institution without the consent of the Administrative Assistant to the Secretary.

If records are to be transferred to another institution pursuant to an application received through the Archivist of the United States, arrangements for such transfer should be made through the Treasury Archivist.

If records are to be sold, a separate account should be kept of the cost of the sale and the amount of the purchase price received, and the moneys derived from the sale should be paid into the Treasury of the United States.

A report of the disposition of the records on the list indicated above should be made on the attached form in duplicate, and should be submitted to the Treasury Archivist not later than August 15, 1941.

(Signed) C. R. Schoeneman
Acting Administrative Assistant
to the Secretary

REPORT OF THE DISPOSITION OF USELESS RECORDS

To the Treasury Archivist:

The records described in the following list:

Federal Reserve Banks as Fiscal Agents - Form A
October 24, 1940

approved for disposition by authority of House Report No. 709, 77th Congress, 1st Session, dated June 2, 1941, have been disposed of by the following method (except as indicated under the item "Remarks" below):

- ___ By sale: Cost of sale:
Purchase Price:
- ___ By destruction: (Indicate manner of destruction)
- ___ By transfer to _____
(name of institution)
- _____
- (post-office address)

Date of disposition:

Remarks:

Field Office Form _____

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-854

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 14, 1941

Dear Sir:

In view of a recent report from one of the Federal Reserve Banks of difficulties which it has encountered by reason of the fact that certain Departments or Agencies of the Government in Washington have employed men in its service without first having taken the matter up with the Federal Reserve Bank, the Board decided to send to the Secretary of State, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Office of Production Management, and the Office of Price Administration and Civilian Supply a letter of which there is enclosed a specimen copy for your information.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Dear Mr. :

It has been reported to the Board of Governors that there have been instances recently in which Departments or Agencies of the Government in Washington have employed men in the service of Federal Reserve Banks without first having taken the matter up with the Federal Reserve Bank concerned.

The Federal Reserve Banks are being called upon by the Government to an increasing extent for services in aid of the defense program. Since much of this work requires reliance upon highly trained and experienced personnel, their retention by the Federal Reserve Banks may be at least as important as the service they could render to a Government Department or Agency without previous experience in such an organization.

Therefore, it is suggested that when your Department desires to offer a position to a Federal Reserve Bank employee, the matter be taken up first with the President of the Federal Reserve Bank concerned so that the question where such employee can render service to the best advantage to all concerned may be determined, in the light of all the circumstances, before any commitment is made. This course would be in line with the policy of the President's recent Executive Order with respect to Civil Service employees in the executive branch of the Government, and the Board of Governors would greatly appreciate your cooperation with the Federal Reserve System in the manner suggested in this letter.

Respectfully,

M. S. Eccles,
Chairman.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

7
R - 855

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 16, 1941.

Dear Sir:

There are enclosed for your information two copies of a series of tables showing detailed figures of defense loans and commitments of weekly reporting member banks as of April 30, 1941, which were prepared from the data recently submitted by such banks.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(Enclosures with addressed copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-856

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 17, 1941

Dear Sir:

The Board has been requested both by the office of the Comptroller of the Currency and by one of the Federal Reserve Banks to render an opinion on the question whether an officer of a member bank, who is also serving as a director and as a member of the discount committee of the bank, is to be regarded as an executive officer within the meaning of the Board's Regulation O as amended effective July 1, 1939, notwithstanding the adoption of a resolution by the board of directors providing that he is not authorized to participate in its operating management.

Before undertaking to pass upon this question, the Board will appreciate a statement of your views, accompanied by a statement of the views of your Counsel, with regard to this matter. Before expressing your views on the question, you may find it desirable to consult with some of your member banks and the member of the Federal Advisory Council from your district.

For your information in this connection there are enclosed an excerpt from the Federal Reserve Bank's letter on this subject, an excerpt from the letter from the office of the Comptroller of the Currency, and a section of the "General Form of Bylaws of National Banks" relating to the Discount Committee.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosures 3

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

EXCERPT FROM A LETTER FROM A FEDERAL RESERVE BANK

In connection with the question of whether or not this indebtedness constitutes a violation of Section 22 (g) of the Federal Reserve Act, our examiner submitted the following information:

(1) Prior to the examination a resolution had been adopted by the board of directors declaring Mr. _____ to be an inactive officer and without authority to participate in the management of the bank.

(2) For several years Mr. _____ has been a member of the bank's Discount Committee composed of himself, the president of the bank (who is semi-active in its management), and one other director. The committee does not meet every day, nor on scheduled dates, but only on call of the president. The committee has and exercises authority to grant loans to and fix lines of credit for the bank's borrowing customers. It confines its loan-making activities almost entirely to loans in excess of \$200.

(3) All loans made by the Discount Committee are approved by the board of directors at its next regular meeting.

Our examiner feels that the making of loans is a function of operating management within the meaning of that term as used in the definition of an "executive officer", as given in Section 1 of Regulation O. Accordingly, and upon the basis of the facts recited hereinabove, he is of the opinion that all members of the Discount Committee of the _____ State Bank are "executive officers" of the bank. However, before taking a definite position of agreement or disagreement with the views of our examiner concerning this case, we should like very much to have an expression of the Board's views. We are unable to find any such expression in the Board's published or unpublished rulings, based upon the identical circumstances of the case described herein, although we have noted the Board's interpretation in its letter dated May 4, 1936, X-9576, concerning a remotely similar situation. The fact that the position taken by the Board in that case is opposite to the views expressed by our examiner in the present case is one reason why we prefer to obtain a ruling by the Board concerning Mr. _____'s status, instead of undertaking to pass on it ourselves. Another reason is the fact that we believe that a number of State member banks in this district use the same administrative machinery for their loan-making activities as the _____ bank is using.

EXCERPT FROM LETTER FROM THE DEPUTY
COMPTROLLER OF THE CURRENCY

In its supervision of national banks, this office is occasionally confronted with the question which was raised in the Board's S-letter-210, Reg. 0-39, concerning which no opinion was expressed inasmuch as the vice president mentioned therein resigned as a member of the discount committee while the matter was being considered.

Following there is a typical situation:

1. Vice President _____ is an attorney and is also an inactive officer of the bank but receives no salary from the bank. He does receive a small fee for each Board meeting attended, which fee is no greater than that paid to other directors.
2. The directors have passed a resolution that he is not authorized to participate in the operating management of the bank.
3. He is a member of the discount committee appointed by the directors in accordance with the provisions of the bank's bylaws, a copy of which is enclosed, and fully performs his duties as a member of such committee.

R-856-c

EXCERPT FROM "GENERAL FORM OF
BYLAWS OF NATIONAL BANKS"

Sec. 16. There shall be a committee, to be known as the discount committee, consisting of the president, cashier, and _____ directors appointed by the board every _____ months, to continue to act until succeeded, who shall have power to discount and purchase bills, notes, and other evidences of debt, and to buy and sell bills of exchange; and who shall, at each regular meeting of the board of directors, submit in writing a report of all bills, notes, and other evidences of debt discounted and purchased by them for the bank since their last report. The board of directors shall approve or disapprove the report of the discount committee, such action to be recorded in the minutes of the meeting.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-857

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 18, 1941

Dear Sir:

There is enclosed for your information a table showing, among other things, the number and aggregate of deposits of State banks admitted to membership in the Federal Reserve System during 1940 and the first six months of 1941, together with a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of June.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a large initial "L" and "P".

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

R-857-a

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. -- June 1941		Banks admitted to membership during 1940		Number of nonmember commercial banks with sufficient capital stock to meet the minimum statutory requirements for Federal Reserve membership*				
	Number	Deposits	Number	Deposits	Total Number **	By size of deposits			Number on Par List
						Under \$1 million	\$1 -10 millions	\$10 millions and over	
Boston	0	0	0	0	141	45	87	8	141
New York	25	52,150	8	12,026	224	76	126	21	224
Philadelphia	6	7,380	4	3,777	225	101	108	13	225
Cleveland	10	6,150	25	37,595	475	327	139	6	474
Richmond	5	2,200	18	21,868	394	301	86	7	232
Atlanta	1	730	3	5,298	484	415	65	2	52
Chicago	30	113,170	62	74,483	1,219	1,008	200	10	1,079
St. Louis	10	8,570	21	12,412	664	578	78	3	434
Minneapolis	0	0	9	10,382	420	391	27	0	78
Kansas City	1	150	10	14,197	487	459	28	0	402
Dallas	3***	1,090	24	21,154	282	253	29	0	174
San Francisco	2	830	4	5,125	194	138	37	9	182
Total	93	192,420	****188	218,317	5,209	4,092	1,010	79	3,697

* These figures are as of December 31, 1939, the latest date for which such data have been compiled.

** These totals include, and the distribution by amount of deposits excludes, 28 banks with no deposits or for which deposit figures were not available.

*** Includes one newly organized bank with no deposits.

**** Excludes two banks organized to succeed national banks, one organized to succeed a State member as part of a rehabilitation program, and one organized to succeed a State member whose charter had expired.

R-857-b
July 18, 1941
Not for publication

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF JUNE 1941

BOSTON

Visits were made to fourteen member banks, two in Rhode Island and twelve in northern New Hampshire.

All banks visited reported increases in loans and deposits, and earnings for the first six-months period were above those of the corresponding period of a year ago. . . . Sales of Defense Bonds were not large at any point--a number of bankers expressed the view that no increase could be expected in the absence of a vigorous sales campaign.

NEW YORK

Western New York

Oil fields are particularly active as the refineries are purchasing all the oil obtainable. . . . There are now approximately 100 strings of tools in operation in this area, which compares to 20 or 25 a year ago. Crude oil is currently selling for \$2.55 a barrel, having advanced 15 cents within the last few weeks. The increased tempo of business and the fact that shipments of Texas and Louisiana oil have been curtailed due to withdrawal for overseas duties of approximately one-fifth of the oil tankers operating on the Atlantic seaboard, are said to be responsible for the greatly increased production of the whole Bradford-Allegany field.

Northeastern New York

Loan demand is, in general, showing improvement and the loan total of \$32,100,000 reflects an increase of about 7 per cent in the last year. The chief increases in bank loans are in institutions which are active in the consumer credit, personal loan, and mortgage fields. A number of bankers in the rural areas report that many new loans have resulted from the purchase of equipment by farmers who are being forced to mechanize their operations due to the shortage in farm labor. The officers of one small bank state that they do not share the opinion often expressed that banks must be satisfied with lower loan totals as compared with the 1920's and say that loans can be obtained by going after them. . . . Another bank has advertised

in the newspapers that rates as low as 4 per cent will be granted on satisfactory loans of \$1,000 and over, which has resulted in an expansion of their list, some borrowers coming from outside of the territory. At two other institutions, loans have increased since they have shown the public that they are anxious to make loans.

Paper and pulp mills constitute the chief industrial activity in this territory and their operations have been at capacity since shortly after the outbreak of the European war, when importations of Canadian and Scandinavian pulp were curtailed. The cutting of lumber and of pulp wood in the area is said to be at the highest point reached in many years, and there is an actual shortage of labor in this field.

In an area to the north of the village of North Creek, about twenty-five miles west of Lake George, the Titanium Corporation of America, a subsidiary of the National Lead Company, has purchased a vast tract of ore land and has started construction of a mining and smelting project which, it is reported, will cost between five and ten million dollars.

Western New Jersey

Hunterdon County ranks first among all New Jersey counties in the chicken industry--selling day-old chicks, producing eggs, and marketing poultry. A large cooperative activity which has developed during the last few years is the Flemington Auction Market for the selling of eggs and poultry, which now does a business in excess of \$2,225,000 annually. The successful operation of this organization has resulted in this plan of selling being widely copied by poultrymen elsewhere.

PHILADELPHIA

Schuylkill and Luzerne Counties, Pennsylvania

For the first time in several years bankers in this area are taking an optimistic view of the future of the anthracite industry. Many believe that the prospective shortage of oil in the eastern and northeastern States, attributable to the lack of transportation facilities, together with the proposed conservation of oil supplies for defense purposes, will greatly increase the already heavy demand for hard coal. This view receives further support through reports that manufacturers of coal stokers have received such a volume of orders in the last month that many of them cannot make deliveries for from four to nine months. . . . A few of the larger operators

such as the Hudson Coal Company, the Glen Alden Coal Company, and the Philadelphia and Reading Coal and Iron Company were reported to have reopened or to be preparing to reopen certain mines which have been idle for several years.

Illegal mining of anthracite, commonly known as bootlegging, still flourishes in Schuylkill County, but an increasing number of operators are obtaining leases to the properties on which they operate. In some instances these operators are compelled to sell their output to breakers operated by the owners of the land.

Many farmers in Schuylkill County have been quite successful in growing tomatoes under contract for H. J. Heinz Company and this crop at present appears to be in good condition. Grain and hay crops are somewhat stunted because of the dry weather in May but no loss is anticipated as the yield is heavy and prices are good. The apple crop was partially destroyed by late frosts and some loss will result.

CLEVELAND

There appears to be no rhyme or reason to the varying success in the sale of Defense Bonds. In certain industrial communities where employment and wages are high, bonds are not moving to the extent that they are in other communities where the market would not appear to be so good. In a few scattered instances sales are reported to be "surprisingly large". Generally, they are somewhat disappointing.

The active officer of a recently admitted State bank stated that two city correspondent banks had asked him his reasons for wanting to become a member of the Federal Reserve System. . . . He said that all city bankers tell him they cannot get along without the Federal Reserve, and at the same time wonder why the smaller banks join the System.

RICHMOND

Maryland

Rain came too late to repair the damage done to strawberries, peas, and other advanced truck crops throughout the State. . . . The tobacco crop in southern Maryland has not been affected by drought. . . . Maryland tobacco prices are now at an all-time high level.

Many farmers are accepting the offer of the Federal Government to lend \$1.09 or \$1.07 a bushel, according to the grade of the

wheat, and if the price of wheat advances next spring the owner is entitled to the advance, but if the wheat remains the same price or drops lower, the Federal Government owns the wheat.

An order for \$74,000,000 worth of additional bombers and spare parts has been awarded to the Glenn L. Martin Company, which already has a backlog of more than \$323,000,000 in orders.

National defense activities in the Baltimore area are mirrored in a continued sharp rise in the electric output of the Consolidated Gas, Electric Light and Power Company. . . . This company placed a new 33,500 horsepower generating unit in service at Westport last August, and an additional 67,000 horsepower unit will go into use during the current year.

The increasing employment of men in defense activities has been reflected in the filling of many light-work positions around Baltimore with women workers. A number of office buildings have begun a change over to women elevator operators; women cab drivers are increasing in number; and girls are being used for messenger service and office-boy duty.

Virginia

The commercial apple crop is indicated about 25 per cent below last year. . . . The peach crop, however, is in a much better condition, with production indicated 50 per cent above last year.

Additional defense contracts during June were announced calling for expenditures that will include a \$6,000,000 Army depot to be built near Richmond, Virginia, a \$2,500,000 Army warehouse at Alexandria, Virginia, with further construction amounting to approximately \$2,300,000 to be effected at Camp Lee and about \$3,400,000 of new construction and housing facilities at Fort Belvoir.

West Virginia

The wheat yield is indicated at two bushels per acre less than last year. Corn stands are thin because of poor germination. . . . The largest crop of cherries in the history of Jefferson and Berkeley Counties is now moving to market. The crop is expected to total around 3,000,000 pounds. . . . Thousands of new peach trees set out in the near past are bearing a record-breaking crop of 490,000 bushels.

Coal production in the first six months is slightly below the same period last year.

Increased employment at the ordnance plant and various chemical plants in the Charleston area has created a business boom and at the same time has created a housing shortage.

North Carolina

The growth of cotton has not been seriously impaired. Tobacco is improving, but still mostly in unsatisfactory condition. . . . Cantaloup producers expect to harvest the largest crop on record this season. A production of 722,000 crates is indicated, which is 27 per cent greater than last year. . . . Good apple and peach crops are currently indicated.

Passage of the deficiency appropriation bill at Washington provided for expenditure of approximately \$24,190,000 in the Carolinas for national defense. Of this sum, \$14,990,000 will be spent for the marine aviation base on the Neuse River in North Carolina.

A building and loan association in Raleigh reduced interest rates on home loans from 6 per cent to as low as 4 per cent beginning June 2, and extended the maximum term of loans from 11-1/2 to 15 years.

Several firms have announced a second wage increase within a few months. Sixty-two thousand of North Carolina's 113,469 textile workers have benefited from the raise in minimum wages.

South Carolina

Coastal tomatoes and cucumbers were damaged by flooding rains. Tobacco stands are irregular. . . . Weather conditions were also conducive to an increase in weevil activity.

ATLANTA

Northwestern Alabama

Current crop prospects are very good and little or no damage has resulted from the recent drought.

In most of the smaller communities, the farmers are said to be so interested in liquidating old debts and making purchases that they have deferred for some time before buying Defense Bonds.

CHICAGO

There was considerable discussion at the Michigan bank convention of the Governor's recent veto of a bill to prohibit State-wide branch banking.

By the end of May, seventh district employment showed an increase of approximately 27 per cent over the corresponding period a year ago. Pay rolls were up 47 per cent.

A two-month backlog of unfilled orders presents a problem to furniture manufacturers and few of them can promise immediate delivery. Most of the factories already are on a capacity production basis.

In the latter part of June the corn in central Illinois was the finest and earliest in years.

ST. LOUIS

In northern Missouri the land is for the most part fertile and is intelligently farmed. . . . There is broad diversification of crops. The high prices of milk and eggs have served to lift farm incomes, and farmers are doing well. Farms are well kept, and equipment is modern. Shipments of livestock in 1940 were heaviest in a number of years. With the exception of winter wheat, which was severely damaged by the freeze last November, prospects for crops are exceptionally fine, and in the recent past have been improved by rains.

Almost universally bankers are taking an active part in distribution of Defense Bonds.

MINNEAPOLIS

Western North Dakota and Northwestern South Dakota

In almost all of this territory one of the major problems confronting bankers is the profitable employment of excess funds. Local demand for money is light, with but few exceptions. . . . Quite generally banks receive 7 per cent, the legal rate, on chattel mortgage loans. Very few real estate loans are being made. With but few exceptions, bankers indicate they are very conservative in making cattle loans.

Bankers frequently commented on changed conditions in banking and pointed out the contrast in the territory now served by them as compared to the situation that existed some years ago. One banker stated that his bank is the only one left of 17 that previously operated in that county, and in another case, the banker stated that of 23 banks formerly in that trade area, his bank is the sole survivor.

At Dickinson, North Dakota, it was asserted that during 1940 there was no moisture from May 13 until fall, while this year they had

12.99 inches during a 17-day period in the latter part of May and early in June.

At New England in southwestern North Dakota, it was reported that over one million bushels of wheat were shipped out in each of the past two years. . . . It is estimated that the 1941 wheat crop will be the heaviest since 1932. . . . Many bankers believe that one of the most serious questions for this area is the marketing of the prospective wheat crop. Grain elevators are full. . . . Serious thought is being given to the erection of small storage buildings by those able to bear the expense in order to protect their crop.

Land for range purposes can be leased cheaply. In one instance it was stated that the figure agreed upon was only six cents per acre annually.

Lignite mines are a source of considerable revenue. In many parts of this territory, lignite is available at prices ranging from \$1.50 to \$2.00 a ton. At Dickinson, North Dakota, there is a two million dollar lignite briquet plant. In several other towns the production of lignite is estimated at about 300,000 tons annually.

Southeastern South Dakota

In the western part of this area the farmers have had only one crop of corn in ten years and very little small grain. This year they had five inches of rain in April followed by three weeks of dry weather and more recently by showers. A fair crop is in prospect. The one principal hazard which is menacing at the present time is grasshoppers. The hatch was exceptionally large.

The statement is commonly made that no one ever loses any money on a feeder loan and since the bulk of the rediscounts which have been offered to us recently consists of feeder paper, it seemed desirable to check this statement with some of the old-timers. A majority of the bankers whose banks have weathered all of the storms in the last twenty-five years did not endorse this broad statement.

The recent State legislation permitting the establishment of offices in the same or adjoining counties to transact all types of banking business except the making of loans has created a number of serious problems. . . . Twenty-one are already in operation in the State and sixty more have either been applied for or are known to be contemplated. Accounting systems lack uniformity. . . . Under some conditions the head office and the branch office really constitute two banks with only one capital structure. At times a community without a bank can play two neighboring banks against each other and in

that way obtain a branch office even though the volume of business is not sufficient to warrant the office. . . . The branch offices range widely in size. At Tabor, for example, the office has only \$40,000 of deposits and \$18,000 of loans, the office being operated by one girl at a salary of \$12 a week. . . .

North-central Minnesota

The principal industry in the so-called Iron Range is, of course, iron mining, and it is expected that this year the total tonnage will be 75,000,000 as against a previous high of 62,000,000 tons.

KANSAS CITY

Excessive rains have done considerable damage: the wheat crop will be much below what was expected a month ago and heavy rains have caused loss from soil erosion. But the general moisture situation is so greatly improved over recent years and prices of farm products have advanced so rapidly that there is little disposition anywhere to complain.

Bankers report no shortage of harvest labor. As a matter of fact, they say little labor is required on small farms under modern conditions as it is a common practice for a farmer himself to operate his combine and stop the machine long enough to haul away the wheat.

Almost without exception, the demand for Defense Bonds in rural communities is very disappointing. Bankers say that farm people have been hard up for so long and have such pressing needs for things they for years have been unable to buy that there is little prospect of substantial sales to them in the immediate future. On the other hand, Defense Bonds are selling much better in communities where there are retired people and where employment has picked up sharply.

DALLAS

No report received.

SAN FRANCISCO

Utah

Crops and ranges are in excellent condition. Frequent rainfall has continued through the late spring months, and ground moisture conditions are better than for a number of years. This also has resulted in augmenting the water in storage for irrigation purposes.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

June 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	14	0	14	9	<u>1/</u>	0	0
New York	115	32	147	16	4,070	2	325
Philadelphia	62	28	90	1	50	1	50
Cleveland	70	25	95	14	4,305	4	361
Richmond	14	26	40	7	1,917	1	50
Atlanta	16	16	32	1	<u>1/</u>	0	0
Chicago	11	0	11	2	1,202	1	140
St. Louis	62	95	157	7	1,982	3	885
Minneapolis	78	101	179	6	2,900	3	324
Kansas City	39	60	99	11	1,064	2	254
Dallas	0	0	0	2	175	0	0
San Francisco	21	7	28	17	3,777	5	780

1/ Not reported



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

23

R-858

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 18, 1941

Dear Sir:

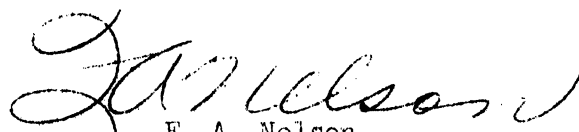
The Board of Governors of the Federal Reserve System is advised that holidays will be observed by offices of Federal Reserve Banks during the month of August as follows:

August 1 (Friday)	Denver Branch	Colorado Day
August 30 (Saturday)	New Orleans Branch	Birthday of Huey P. Long

On the dates mentioned the offices affected will not participate in the transit clearing through the Interdistrict Settlement Fund. Please include transit clearing credits for the office concerned on each of the holidays with your credits for the following business day.

Please notify branches.

Very truly yours,


F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

R-859

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Sunday, July 20, 1941

The following summary of general business and financial conditions in the United States, based upon statistics for June and the first half of July, will appear in the August issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial production increased further in June, continuing the rapid advance that began about a year ago. Commodity prices, both in retail and in wholesale markets, rose considerably between the early part of June and the third week of July.

Production

Reflecting the continued advance in industrial activity at a time when output ordinarily declines, the Board's adjusted index advanced from 150 per cent of the 1935-1939 average in May to 156 in June and preliminary estimates indicate a further rise in July. The current level compares with 104 before the start of the European war and 111 in the spring of 1940, when the current advance in industrial activity began.

Further increases in output were reported in June for a considerable number of industries, particularly those associated closely with the defense program, and there were no important declines. As in

other recent months, activity in the aircraft, shipbuilding, machinery, and railroad equipment industries rose sharply. Automobile production was maintained at the high level of May, owing mostly to unusually large retail sales. Output of iron and steel and nonferrous metals, already close to capacity, did not show an increase to correspond with the rise in output of finished metal products and official statements indicated growing concern over shortages of numerous materials. Steel ingot production remained close to 99 per cent of capacity during June, but the rate in the middle of July was slightly lower. For the year to date output of steel has averaged 98 per cent of the rated capacity as of December 1940.

Output of textiles and most other nondurable manufactures in June continued at recent advanced levels, which in some instances represent capacity production. Output of chemicals continued to increase rapidly. Also, there was a sharp rise in rubber consumption, reflecting continued heavy demand for rubber products and the fact that June was the last month before curtailment of rubber consumption by industry was to go into effect and was the month to be used in apportioning July consumption among various manufacturers.

Mineral production increased in June, with a marked rise in output of anthracite, some further increase in output of bituminous coal, and a continued advance in crude petroleum production to a new high level.

Value of construction contract awards in June continued at the high level reached in May and was nearly two-thirds above a year

ago, according to figures of the F. W. Dodge Corporation. Awards for public construction again increased sharply, reflecting continued expansion in the volume of defense construction projects. Private residential building contracts declined somewhat more than seasonally, following an increase in May.

Distribution

Sales of general merchandise showed little change from May to June. Department store sales decreased more than seasonally, while rural retail and variety store sales remained at the May level, although a decline is usual at this time of the year. In the early part of July sales at department stores rose somewhat and were 24 per cent higher than a year ago.

Loadings of revenue freight increased further in June, reflecting continued expansion in shipments of coal and miscellaneous merchandise, and by the end of the month were in larger volume than at any time during the seasonal peak last autumn.

Commodity prices

Wholesale prices of most groups of commodities continued to advance from the early part of June to the middle of July. Prices of foodstuffs showed large increases and there were substantial advances in prices of a number of industrial raw materials and finished products. Following earlier marked advances, prices of hides and cotton gray goods were reduced by Governmental action. Retail prices for foods and many other commodities have been rising and in June the cost of

living was about 4 per cent higher than 4 months earlier. Preliminary figures indicate further advances in July.

Bank credit

Holdings of United States Government securities by member banks in 101 leading cities increased further during June and early July, reflecting in part new offerings by the Treasury. Commercial loans continued to rise sharply.

Notwithstanding the greater volume of bank loans and investments, deposits of city banks declined somewhat over the period, reflecting mainly a growing demand for currency and a building up of Treasury deposits at the Reserve Banks. These developments also resulted in a decrease in the volume of excess reserves, which amounted to about \$5,300,000,000 on July 16, compared with \$6,900,000,000 a year earlier.

United States Government security prices

United States Government securities advanced further during the latter part of June. Partially tax-exempt 1960-65 bonds on June 26 were at an all-time peak, on a 2.02 yield basis. Since that time they have declined slightly. Taxable bonds generally continued to advance to successive new high levels. Yields on Treasury notes showed little change during the latter part of June and the first half of July.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

28

R-860

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 21, 1941.

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of June 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

A handwritten signature in cursive script, appearing to read "O. E. Foulk".

O. E. Foulk,
Fiscal Agent.

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

29

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF JUNE 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	33,656	414	34,070	\$ 513.36	\$ 387.46	\$ 125.90
New York	86,146	-	86,146	1,298.04	870.73	427.31
Philadelphia	20,215	415	20,630	310.85	243.07	62.78
Cleveland	40,132	416	40,548	610.98	308.76	302.22
Richmond	47,828	414	48,242	726.91	329.63	397.28
Atlanta	42,749	414	43,163	650.38	239.33	411.05
Chicago	77,106	455	77,561	1,168.69	1,217.73	49.04(a)
St. Louis	48,816	414	49,230	741.79	249.32	492.47
Minneapolis	24,503	414	24,917	375.45	232.73	142.72
Kansas City	44,070	413	44,483	670.27	273.01	397.26
Dallas	39,892	462	40,354	608.05	324.93	283.12
San Francisco	56,991	415	57,406	864.99	426.00	438.99
Board of Governors	512,943	-	512,943	7,729.00	11,161.06	-
Total	1,075,047	4,646	1,079,693	\$16,268.76	\$16,268.76	\$3,481.10 49.04(a) \$3,432.06

(1) Based on cost per word (\$.015067950) for business handled during the month.

(2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,261.47) and wire rental (\$10,303.62) less amount (\$404.03) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury, Reconstruction Finance Corporation, and Commodity Credit Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.

(a) Credit--reimbursable to Chicago.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-861

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



August 6, 1941

Dear Sir:

For your information there is enclosed a recapitulation of an audit submitted to the Secretary of the Treasury by Mr. H. R. Loafman, Chief, Division of Public Debt Accounts and Audits, showing the stock of incomplete face printed Federal Reserve notes, Series of 1928 and Series of 1934, and of uniform backs allocated to Federal Reserve notes, on hand at the Bureau of Engraving and Printing at Washington as at the close of business June 30, 1941.

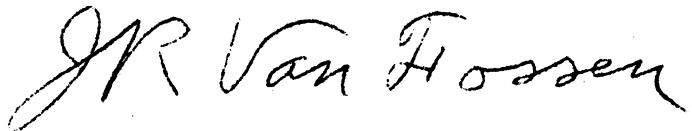
In his letter transmitting the report to the Secretary of the Treasury, Mr. Loafman stated that: "The audit extended from June 27 to July 1, 1941, inclusive, and consisted of a piece count of the stocks of faces, Series 1934 (except the stock of \$5 denomination), and a package count of the uniform backs allocated to Federal Reserve notes. All stocks of Federal Reserve notes, Series 1928, and the stocks of the \$5 denomination, Series 1934, with the exception of those retained by the Bureau for specimen purposes, were piece counted and placed under the Auditor's seal prior to the audit. An inspection was made of the seals on the various bins containing these stocks and the seals were found to be intact.

"In view of the fact that a recent piece count has been made by this office of the entire stock of each denomination of uniform backs on hand in the Bureau, a package count and an inspection for denominations of the uniform backs allocated to Federal Reserve notes was deemed sufficient at this time.

- 2 -

"The total sheets of all denominations on the whole of Federal Reserve notes, faces and backs, were found to be in excess of the total required reserve of 4,250,000 sheets."

Very truly yours,

A handwritten signature in cursive script that reads "J. R. Van Fossen".

J. R. Van Fossen, Assistant Chief,
Division of Bank Operations

Enclosure

TO ALL FEDERAL RESERVE AGENTS

R E C A P I T U L A T I O N

R-861a

FEDERAL RESERVE NOTES AND UNIFORM BACKS ALLOCATED TO FEDERAL RESERVE NOTES, SHEETS OF 12 SUBJECTS EACH
AS AT THE CLOSE OF BUSINESS JUNE 30, 1941

Series of 1928

Federal Reserve Bank	\$5	\$10	\$20	\$50	\$100	\$500	\$1,000	\$5,000	\$10,000	Total
Faces:										
Boston	68,660-2/3	1	--	6,663-2/3	11,343-1/3	1,535	293	15	24	88,535-2/3
New York	--	--	--	--	--	300	345	--	--	645
Philadelphia	--	--	--	30,105-1/3	9,974	399	100	--	--	40,578-1/3
Cleveland	76,711-1/3	--	1	24,026	12,306	30	252	50	25	113,401-1/3
Richmond	34,638-2/3	--	--	15,448-2/3	8,124	170	224	24	77	58,706-1/3
Atlanta	--	--	8,000	3,743	5,851-1/3	200	--	34	34	17,862-1/3
Chicago	1	--	61,858-1/3	36,341-2/3	30,660	698	402	79	32	130,072
St. Louis	--	--	--	5,423	3,982-1/3	474	300	--	--	10,179-1/3
Minneapolis	--	--	--	4,546	5,024-1/3	245	68	--	--	9,883-1/3
Kansas City	28,040-2/3	--	--	4,465	7,582-1/3	152	102	11	13	40,366
Dallas	--	27,871	23,712-1/3	2,989-2/3	3,001	60	250	9	7	57,900
San Francisco	--	--	92,731-1/3	8,922	12,251	200	226	40	48	114,418-1/3
Total Faces	208,052-1/3	27,872	186,303	142,674	110,099-2/3	4,463	2,562	262	260	682,548

Series of 1934

Faces:										
Boston	12,841-1/3	182,537	41,311-2/3	1,162	2,105	337	484	441	417	241,636
New York	144,966-2/3	319,657-1/3	187,928-2/3	45,552	45,240-1/3	300	1,500	182	110	745,437
Philadelphia	76,633-1/3	99,509-2/3	60,351-2/3	1,519	1,850	80	100	443	448	240,934-2/3
Cleveland	7,966-2/3	72,482-2/3	97,652	2,133-1/3	11,108	130	150	25	25	191,672-2/3
Richmond	7,766-2/3	39,857-2/3	57,000	2,685	1,575	400	230	98	50	109,662-1/3
Atlanta	31,675	52,100	38,333-1/3	1,766	1,429	400	401	90	46	126,240-1/3
Chicago	128,066-2/3	186,544	72,766-2/3	3,939	3,620-1/3	502	400	90	90	396,018-2/3
St. Louis	57,342-2/3	35,440	35,100	2,102	2,223	400	230	90	49	132,976-2/3
Minneapolis	26,132-1/3	32,766-2/3	37,633-1/3	495	1,654	200	100	--	--	98,981-1/3
Kansas City	8,366-2/3	29,433-1/3	22,266-2/3	1,801	1,075	400	300	99	48	63,789-2/3
Dallas	27,166-2/3	52,200	18,500	1,338	1,678	400	200	90	45	101,617-2/3
San Francisco	35,100	90,469	29,533-1/3	1,640	2,222	430	430	100	100	160,074-1/3
Total Faces	564,024-2/3	1,192,997-1/3	698,377-1/3	66,132-1/3	75,779-2/3	4,029	4,525	1,748	1,428	2,309,041-1/3
Backs:										
Uniform Backs allocated to the various denominations of Federal Reserve Notes	568,500	656,500	630,500	149,000	120,500	--	--	--	--	2,125,000

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-862

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



August 7, 1941

Dear Sir:

Referring to the Board's letter R-765 of January 11, 1941, the following change should be made in the list of nonmember banks that have in force agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934:

Deletion

Wisconsin
Cudahy

Cudahy State Bank
(Admitted to Federal Reserve membership on July 17, 1941)

The last previous change in this list was given in the Board's letter of May 7, 1941 (R-830).

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers
of Tuesday, August 12, 1941

August 11, 1941

Statement of Chairman Marriner S. Eccles
with reference to the President's Executive Order
relating to the regulation of consumer credit.

The President today issued an Executive Order under date of August 9 empowering the Board of Governors of the Federal Reserve System to regulate consumer credit in order to promote national defense and to protect the national economy. An initial regulation will be issued as promptly as possible following consultation with representatives of the trade and the financial institutions affected. The regulations will reflect a policy of flexibility and will be in more or less general terms until experience and further study establish more precise guides that may be followed.

Frequent conferences have been held with the staff of OPACS with special reference to problems affecting prices and civilian supply. Preliminary conferences have also been held with representatives of the Secretary of the Treasury and Federal Loan Administrator. Liaison will be constantly maintained with all three of these agencies pursuant to the Order.

In effecting a nationwide administrative coverage, under the authority of the Order, the Board will utilize the services of the 12 Federal Reserve Banks and 24 Branches in administering the Order, thus making available the long years of practical experience that the Federal Reserve System has had in the field of credit, and enabling details of administration to be decentralized.

Regulation of consumer credit represents another step by the Government in its effort to prevent inflationary developments. It is supplementary to other more fundamental measures that are being undertaken in other fields. The danger of inflation arises from the constantly growing

- 2 -

volume of Government disbursements for defense, giving consumers ever-increasing buying power at a time when the country's capacity for producing durable goods available for civilian consumption is nearing its limit.

Restriction of consumer credit should dampen the demand for consumers durable goods, such as automobiles, washing machines, refrigerators, ironers, vacuum cleaners, and many other goods, at a time when their production needs to be curtailed in order to release materials, labor and plant capacity required to increase production for defense.

The raw materials required for both types of products -- armaments and durable consumer goods -- are in the main such materials as iron, steel, copper, zinc, nickel, lead, aluminum, magnesium, rubber, cork, tin, etc. At present armament demands for such materials are, and probably throughout the emergency will be, so great that the surplus left over for production of consumers durable goods will in many cases only permit an output of such goods considerably smaller than that attained in recent months.

The Order does not cover installment credit for the purpose of purchasing or carrying a residential building in its entirety.

It is expected that the initial regulation will be built around a list of articles such as have been mentioned above, which are of the type usually bought for consumers' use. The initial list will not contain articles ordinarily bought for productive purposes, such as farm implements, etc.

The initial regulation, it is expected, will apply only to installment credit. It will not apply to open book accounts nor to straight

- 3 -

loans payable at one time and in one payment, whether or not secured. However, installment credit to obtain cash in relatively small amounts will be covered by the regulation since this type of credit is so closely related to the purchase of articles of the kind listed. This coverage will be subject to such exceptions as may be desirable in the public interest.

Restriction of consumer credit during the emergency will assist in the orderly transition from the defense to the post-defense period. By diminishing the volume of credit used for consumer durable goods, it will make funds available for investment in defense bonds and other forms of savings. When the emergency is over funds so saved can be drawn upon to replenish the depleted stock of durable goods. At that time capacity for their production will become increasingly available as the production of defense materials is reduced.

It is in the interest of all of the people, in the emergency period, that the growing demand for consumers durable goods of all kinds be curtailed as an integral part of a broad coordinated program to combat inflationary dangers. We should all be ready and willing during the emergency to get along with fewer of those consumers goods which will be embraced in the Board's regulation. By doing so, we can assist the defense program, lessen the danger of runaway inflation, increase our savings and our purchases of defense bonds, and help to build up a backlog of effective demand to cushion the impact of post-war readjustment.

R-864

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release

August 12, 1941

In order to assist in the preparation of regulations relative to consumer credit, the Board of Governors of the Federal Reserve System has engaged the services of Mr. Kenton R. Cravens, who is on leave of absence from The Cleveland Trust Company of which he is a vice president.

Mr. Cravens' entire business life has been spent in the field of consumer credit, relating particularly to the durable goods industries and embracing sales financing, direct lending and banking. He has been Chairman of the Consumer Credit Council of the American Bankers Association since the organization of the Council and was formerly president of the Bankers Association for Consumer Credit.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release

August 14, 1941

The Board of Governors of the Federal Reserve System met today with representatives of the twelve Federal Reserve Banks in connection with the regulation of installment credit. Ronald Ransom, Vice Chairman of the Board, presided, and the meeting was opened with a statement by Marriner S. Eccles, Chairman of the Board, outlining the purposes of installment credit regulation as a supplementary step in the Government's program to combat inflation.

In administering regulations to be issued under authority of the President's Executive Order, the Federal Reserve System will utilize the twelve Federal Reserve Banks and their twenty-four branches, thus making available the System's practical experience in the field of credit and decentralizing so far as possible the administration of the regulations.

In addition to members of the Board and staff, those attending the meeting representing the Federal Reserve Banks were:

<u>Federal Reserve Bank</u>	<u>Name</u>	<u>Title</u>
Boston	E. G. Hult	Assistant Cashier
	Carl B. Pitman	Assistant Cashier
New York	L. R. Rounds	First Vice President
	L. B. Allen	Chief, Credit Dept.
	William F. Treiber	Assistant Counsel

- 2 -

<u>Federal Reserve Bank</u>	<u>Name</u>	<u>Title</u>
Philadelphia	A. H. Williams	President
	C. A. Sienkiewicz	Vice President
	R. R. Williams	Statistician
Cleveland	F. J. Zurlinden	First Vice President
	Ralph Tyler	Member Legal Staff
Richmond	J. G. Fry	Vice President
	M. G. Wallace	Counsel
Atlanta	Malcolm H. Bryan	First Vice President
	Pollard Turman	Counsel
Chicago	Paul C. Hodge	Assistant Counsel
	Clarence T. Laibly	Examiner
St. Louis	Chester C. Davis	President
	C. G. Crause	Head of Personnel Department
Minneapolis	J. N. Peyton	President
	E. W. Swanson	Vice President
	T. H. Hodgson	Assistant Counsel
	R. D. Baker	Assistant Head, Sta- tistical Department
Kansas City	D. W. Woolley	Assistant Cashier
	William Phillips	Assistant Cashier
Dallas	R. R. Gilbert	President
	E. B. Austin	Assistant Cashier
San Francisco	William A. Day	President
	W. M. Hale	Vice President
	H. F. Slade	Assistant Cashier

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release

August 15, 1941

Following the meeting yesterday with representatives of the Federal Reserve Banks, the Board of Governors of the Federal Reserve System met today with representatives of various banking and credit groups which extend installment credit to the public. Representatives of the Treasury Department, of the Office of Price Administration and Civilian Supply, and of the Federal Loan Administrator were also present, representing the advisory group designated under the Executive Order on regulation of consumer credit. In addition, the meeting was attended by representatives of the Department of Commerce, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Rural Electrification Administration, and of Federal Reserve Banks and the Federal Advisory Council.

Vice Chairman Ronald Ransom of the Board of Governors presided, and the meeting was opened with a brief statement by Chairman Eccles outlining the reasons for regulating consumer credit as a supplemental measure in the Government's efforts to combat price inflation.

Chairman Eccles emphasized that the purpose of the Board was to issue an initial regulation as promptly as possible covering a limited list of consumers durable goods which use materials needed in defense; that the purpose of the regulation is not to curtail production, but to supplement taxation and other fundamental measures designed to reduce the

pressures of consumer demand, particularly for those goods of which there is or may be a scarcity, relative to the demand, because of defense requirements. Such steps are essential, he stated, to protect the interest of consumers and prevent prices from being bid up to inflated levels. Inflated prices, he pointed out, particularly victimize those of small means. Reports that the proposed initial regulation of consumer credit will be "drastic" are unfounded, he stated.

"It is proposed," Chairman Eccles said, "in the initial regulation, covering only a limited number of articles and applying moderate terms, to lay a basis for such subsequent coverage and adjustment of terms as experience in this field and economic developments may indicate to be necessary in order to carry out the purposes of the Executive Order."

Vice Chairman Ransom stated that progress is being made in the drafting of an initial regulation with a view to its being issued next week to become effective at an early date.

Following is a list of groups represented at and of those attending today's meeting:

American Association of Personal Finance Companies

Irvin Wesley, Vice President, Indianapolis, Indiana

B. E. Henderson, Member of Executive Committee and President of Household Finance Corporation

M. R. Neifeld, Economist, Newark, New Jersey

American Bankers Association

John Burgess, Vice President, Northwestern National Bank, Minneapolis, Minnesota

Carlton Hill, Vice President, Fifth Third Union Trust Company, Cincinnati, Ohio

- 3 -

American Finance Conference

E. M. Morris, Associates Investment Company, South Bend, Indiana
Owen L. Coon, General Finance Corporation, Chicago, Illinois
David B. Cassat, Interstate Finance Corporation, Dubuque, Iowa

American Industrial Bankers Association

Charles Sursa, President
Myron Bone, Secretary

American Retail Federation

C. B. Dulcan, Sr., The Hecht Company, Washington, D. C.
Ralph Goldsmith, Lansburgh & Bro., Washington, D. C.
David R. Craig, President, American Retail Federation

Commercial Credit Company

E. C. Wareheim, Executive Vice President

Commercial Investment Trust Incorporated

A. O. Dietz, President

Credit Union National Association

Thomas Doig, Assistant Managing Director
William Reid, President

General Motors Acceptance Corporation

Charles G. Stradella, Vice President

Independent Bankers Association

Ben DuBois, Secretary

Mail Order Association of America

R. S. Smith, Assistant Treasurer, Montgomery Ward & Company

Morris Plan Bankers Association

Richard H. Stout, Executive Vice President
R. O. Bonnell

National Automobile Dealers Association

L. C. Cargile
W. L. Mallon
C. W. Bishop

National Bond & Investment Company

N. H. Tepper, General Counsel

National Bureau of Economic Research

Ralph A. Young, Director, Financial Research Program

- 4 -

National Retail Credit Association

L. L. Meyer
Arthur J. Morris
D. D. Bolen

National Retail Dry Goods Association

Howard Godfrey, J. L. Hudson Company, Detroit, Michigan
Kenneth C. Richmond, Abraham & Straus, Brooklyn, New York
Irving C. Fox, Washington, D. C.

National Retail Furniture Association

Jack Schram, Chicago
Clarence Haverty, Atlanta
Roscoe R. Rau

National Retail Hardware Association

Albert Herrnstein, Vice President, Chillicothe, Ohio
Rivers Peterson, Managing Director

Reserve City Bankers Association

Donald F. Valley, Vice President, National Bank of Detroit

Retailers National Council

Louis Rothschild

Government Agencies

Treasury Department

Daniel W. Bell

Office of Price Administration and Civilian Supply

Rolf Nugent
F. B. Hubachek

Federal Loan Administrator

Stewart McDonald

Department of Commerce

Bureau of Foreign and Domestic Commerce

Current Business Analysis Unit

Credit Research Staff

Duncan Holthausen

- 5 -

Comptroller of the Currency
C. B. Upham

Federal Deposit Insurance Corporation
Morris Tucker

Rural Electrification Administration
Carlton Nau



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

46

R-867
ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 15, 1941

Dear Sir:

On Monday, September 1, Labor Day, the offices of the Board of Governors of the Federal Reserve System and all Federal Reserve Banks and branches will be closed.


The Board is advised that the following holidays also will be observed by Federal Reserve Banks and branches during September:

September 9 (Tuesday)	San Francisco Los Angeles	Admission Day in California
September 12 (Friday)	Baltimore	Defenders' Day in Maryland

On the dates given the offices concerned will not participate in either the transit or the Federal Reserve note clearing through the Interdistrict Settlement Fund. Please include transit clearing credits for the offices mentioned on each of the holidays with your credits for the next business day. No debits covering shipments of Federal Reserve notes for account of the Federal Reserve Bank of San Francisco should be included in your note clearing of September 9.

Please notify branches.

Very truly yours,


F. A. Nelson,
Assistant Secretary

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Wednesday, August 20, 1941

The following summary of general business and financial conditions in the United States, based upon statistics for July and the first half of August, will appear in the September issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial activity in July and the first half of August was maintained at the high level reached in June. Wholesale commodity prices advanced further and distribution of commodities to consumers was in exceptionally large volume.

Production

Volume of industrial output showed little change from June to July. Reductions in activity at automobile factories and steel mills were largely offset in the total by further increases in the machinery, aircraft, shipbuilding, and lumber industries. The Board's adjusted index, which includes allowance for a considerable decline at this season, advanced from 157 to 162 per cent of the 1935-1939 average.

Steel production, which in June had been at about 98 per cent of capacity, declined to 96 per cent in July, owing in part to holiday shutdowns at some mills. In the first half of August steel output was again at about 98 per cent of capacity. Automobile production in July declined less than usual but in the first half of August there was a

sharp reduction as most plants were closed to prepare for the shift to new model production. Activity in the nonferrous metals industries continued at a high rate. Early in August copper, pig iron, and all forms of steel were placed under complete mandatory priority control as it became evident that actual demand for these metals could not be fully met.

In the wool, cotton, and rayon textile industries and at shoe factories activity in July was maintained at or near the peak levels of other recent months and production of chemicals rose further. Output of manufactured foods increased less than seasonally from the high level reached in June.

Coal production declined slightly in July but as in June was unusually large for this time of year. Crude petroleum production was maintained at about the high rate that had prevailed in the previous two months.

Value of construction contract awards in July increased further to a level more than two-fifths higher than a year ago, according to F. W. Dodge Corporation reports. The rise reflected chiefly a continued increase in contracts for public construction, mostly defense projects. Private residential building contracts increased somewhat, although there is usually some decline at this season, while awards for other private building declined further from earlier high levels.

Distribution

Sales at department stores and in rural areas declined by much less than the usual seasonal amount in July and variety store sales

increased further. In the first half of August department store sales rose sharply.

Total loadings of revenue freight in July and early August showed little change from the advanced level reached in June. Grain shipments, which had been larger than usual in May and June, increased less than seasonally and loadings of coal declined somewhat.

Commodity prices

The general index of wholesale prices advanced about 2 per cent further from the middle of July to the middle of August, reflecting sharp increases in prices of a number of agricultural and industrial commodities. Federal action to limit price increases was extended to additional basic materials, including burlap, silk, rayon fabrics, rubber, and sugar, and in the early part of August prices of these commodities in domestic markets showed little change or were reduced. On the other hand, prices for paper-board, automobile tires, and cotton yarns and gray goods were advanced with Federal approval; prices of textile products not under Federal control continued to rise; and there were considerable increases in prices of lumber, other building materials, and chemicals. On August 16 it was announced that for Southern pine maximum prices somewhat below recent high levels would become effective on September 5.

Agriculture

Agricultural production in 1941 may exceed that in any previous year, according to indications on August 1, and carryovers of major crops are unusually large. Crops of wheat and other leading foodstuffs

are expected to be exceptionally large, while substantial declines in production are indicated for the major export crops - cotton and tobacco. Although the cotton crop is estimated at 10,600,000 running bales, or 1,800,000 bales less than last season, total supplies of cotton will be about the same owing to a larger carryover on August 1. Marketings of livestock and livestock products, except hogs, will be substantially above last year.

Bank credit

Total loans and investments at reporting banks in 101 leading cities rose further during the five weeks ending August 13. Commercial loans continued to increase substantially, while holdings of United States Government obligations showed little change. Bank deposits remained at a high level.

United States Government security prices

After advancing to the highest levels on record, prices of both taxable and partially tax-exempt Treasury bonds declined somewhat in the first part of August. On August 15 the partially tax-exempt 2-3/4 per cent 1960-65 bonds yielded 2.06 per cent, compared with the all-time low of 2.02 per cent on July 29. Yields on Treasury notes showed little change in the period.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-869

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



CONFIDENTIAL

August 19, 1941

Dear Sir:

There is attached for your information a copy of a memorandum (E-1259, Revised) and of four statistical tables (1, 1a, 2 and 2a), summarizing the information furnished by the Federal Reserve Banks in response to the Board's telegram of July 11, 1941 on the reserve position of member banks during the week ended June 25, 1941. This information has not been made public by the Board.

Very truly yours,

A handwritten signature in cursive script, appearing to read "S. R. Carpenter".

S. R. Carpenter,
Assistant Secretary.

Enclosures 5

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(Enclosures with addressed copies only)



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

52

R-870

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 19, 1941

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of July 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

Josephine E. Lally

Josephine E. Lally,
Deputy Fiscal Agent.

Enclosure

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF JULY 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	34,753	348	35,101	\$ 498.61	\$ 287.73	\$ 210.88
New York	83,408	-	83,408	1,184.81	887.86	296.95
Philadelphia	22,805	349	23,154	328.90	245.47	83.43
Cleveland	41,840	349	42,189	599.29	298.34	300.95
Richmond	52,163	348	52,511	745.92	393.80	352.12
Atlanta	47,244	348	47,592	676.04	307.41	368.63
Chicago	72,117	399	72,516	1,030.09	1,461.04	430.95(a)
St. Louis	51,227	348	51,575	732.62	249.72	482.90
Minneapolis	22,583	348	22,931	325.73	190.19	135.54
Kansas City	45,130	344	45,474	645.96	274.30	371.66
Dallas	46,721	395	47,116	669.28	331.21	338.07
San Francisco	63,462	349	63,811	906.43	431.28	475.15
Board of Governors	585,264	-	585,264	8,313.64	11,298.97	-
Total	1,168,717	3,925	1,172,642	\$16,657.32	\$16,657.32	\$3,416.28 430.95(a) \$2,985.33

(1) Based on cost per word (\$.014204949) for business handled during the month.

(2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,163.48) and wire rental (\$10,537.21) less amount (\$401.72) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury and Reconstruction Finance Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.

(a) Credit--reimbursable to Chicago.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



R-871

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 22, 1941

Dear Sir:

There is enclosed for your information a table showing, among other things, the number and aggregate of deposits of State banks admitted to membership in the Federal Reserve System during 1940 and the first seven months of 1941, together with a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of July.

Very truly yours,

S. R. Carpenter
S. R. Carpenter,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

R-871-e

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. -- July 1941		Banks admitted to membership during 1940		Number of nonmember commercial banks with sufficient capital stock to meet the minimum statutory requirements for Federal Reserve membership*				
	Number	Deposits	Number	Deposits	Total Number **	By size of deposits			Number On Par List
						Under \$1 million	\$1 - 10 millions	\$10 millions and over	
Boston	0	0	0	0	141	45	87	8	141
New York	26	56,270	8	12,026	224	76	126	21	224
Philadelphia	7	8,210	4	3,777	225	101	108	13	225
Cleveland	11	7,510	25	37,595	475	327	139	6	474
Richmond	7	9,410	18	21,868	394	301	86	7	232
Atlanta	1	730	3	5,298	484	415	65	2	52
Chicago	36	123,470	62	74,483	1,219	1,008	200	10	1,079
St. Louis	11	9,260	21	12,412	664	578	78	3	434
Minneapolis	1	250	9	10,382	420	391	27	0	78
Kansas City	1	150	10	14,197	487	459	28	0	402
Dallas	3***	1,090	24	21,154	282	253	29	0	174
San Francisco	2	830	4	5,125	194	138	37	9	182
Total	106	217,180	****188	218,317	5,209	4,092	1,010	79	3,697

* These figures are as of December 31, 1939, the latest date for which such data have been compiled.

** These totals include, and the distribution by amount of deposits excludes, 28 banks with no deposits or for which deposit figures were not available.

*** Includes one newly organized bank with no deposits.

**** Excludes two banks organized to succeed national banks, one organized to succeed a State member as part of a rehabilitation program, and one organized to succeed a State member whose charter had expired.

R-871-b
August 22, 1941
Not for publication

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF JULY 1941

BOSTON

Cape Cod, Massachusetts

Lending rates remained unchanged--few loans being made at less than 6 per cent. Bond accounts were inactive....

Several bankers called attention to increasing reserves and their inability to employ more of their funds locally.

NEW YORK

South Central New York (six counties)

The investment portfolios of the 47 commercial banks in this area aggregate about \$42,800,000 and continue to reflect an increasing volume of United States Government issues, direct or fully guaranteed, which now amount to \$29,075,000, or approximately 68 per cent of all security investments.

In Cortland and Norwich the banks are seeking new business in the surrounding agricultural sections, one bank in each of these cities having engaged the services of men experienced in agricultural problems and financing to set up a department to develop closer relations with farmer customers and to seek new business from that source.

The employees of Endicott-Johnson Company are said to have received two wage increases during the past year. The next largest industrial concern is the International Business Machines Corporation at Endicott which has just completed and started operations in a large addition to its plant.

The farms in much of this area have suffered from a long drought lasting from early spring to mid-summer.... This condition together with dissatisfaction about the price received for milk resulted in a milk strike the first week in July among the farmers identified with the Dairy Farmers Union, and it lasted about seven days.... The Union is asking for a base price of \$3.00 per hundred-weight whereas the current price is slightly under \$2.00.

PHILADELPHIACentral Pennsylvania (4 counties)

In Shamokin, which has been most seriously affected by reduced activity, the number employed in legitimate mining has been reduced from 7,500 to 700 within a ten-year period. The majority of the men thrown out of work have resorted to bootleg or illegal mining.... The United States Army is establishing a large storage depot in Shamokin which, when in operation, will give employment to some 1,000 persons under civil service regulations at a yearly salary ranging from \$1,400 to \$1,700.

The Bethlehem Steel Company, the largest employer of industrial labor, operates a large plant a few miles south of Harrisburg. This company is engaged in the manufacturing of steel and steel products such as propeller shafts for large vessels and railroad rails.... The number employed by the company is estimated to be approximately 6,500 or about twice that of a year ago.

The American Car and Foundry Company plant at Berwick is employing some 6,000 men as compared with 3,500 a year ago.

The Middletown Air Depot (just below Harrisburg) used by the War Department as a maintenance and supply base for the entire Atlantic seaboard, has a civilian personnel exceeding 5,000 and it is rumored that the force will be increased to 6,000 in the near future.

The Pennsylvania Turnpike from Harrisburg to Pittsburgh has diverted many tourists to Harrisburg. This, with the increase in activities at the Middletown Air Depot and the Indiantown Gap Military Reservation, Pennsylvania's army training center for National Guardsmen and Selective Service men, has been an important factor in stimulating retail and hotel business in Harrisburg. Prior to the adjournment of the State Legislature, about the middle of July, it was reported that one Harrisburg hotel was turning away 75 to 100 prospective guests daily.

CLEVELAND

Rural sections are complaining of losing farm labor to defense industries in the cities paying much higher wages.

A bank in northwestern Ohio reported that a new kind of wheat recently introduced in that section of the State had yielded over 60 bushels per acre. This compares with a State average of approximately one-third that amount.

RICHMOND

District of Columbia

Employment in the executive service of the Federal Government in the District of Columbia at the end of May 1941 stood at 177,328 persons, which was 2.6 per cent more than in April and 26.8 per cent above the end of May a year ago. At the end of March 1933, executive service employment in the District was given to 69,001 persons.

Maryland

Maryland tobacco planting is 3 per cent higher than last year. The indicated yield per acre is 850 pounds, the second highest on record. Sales now under way are averaging around 30 cents a pound compared with 21 cents a year ago.

Maryland is experiencing its worst crab season since 1926.

Virginia

This year's peach crop has produced the heaviest surplus in some years in Virginia. It is more than 100 per cent larger than the crop of 1940.

Virginia's 1941 flue-cured tobacco yield is estimated at 65,450,000 pounds compared with 67,160,000 pounds last year. The 1941 crop at the pegged minimum price of 19.6 cents per pound will yield Virginia flue-cured tobacco farmers \$2,300,000 more than a year ago.

Miners in southwestern Virginia were estimated to have drawn over \$750,000 in their pay envelopes in the week ended July 26. This is believed to be the largest single weekly pay roll in the history of the Virginia coal industry.

North Carolina

Stocks of raw silk in the hands of hosiery manufacturers throughout the State are only sufficient for one to two weeks of operation.... The change-over for a mill from silk to rayon or cotton would mean a great deal of trouble. The labor cost would be very high.... Nylon is not available in sufficient quantities to fill more than 15 per cent of the country's hosiery requirements, and this will only be augmented by an additional 10 per cent when the new nylon plant at Martinsville, Virginia, begins operations sometime this fall.

The OPM has approved plans of the TVA for construction of a \$50,000,000 hydro-electric plant in western North Carolina on the Little Tennessee River.

Construction of a \$20,000,000 gasoline pipe line from Baton Rouge, Louisiana, to Greensboro, North Carolina, got under way during July when several contracts amounting to \$3,500,000 were awarded.

South Carolina

Growing conditions during the end of July were favorable to cultivation in South Carolina.... Boll weevil infestation has been exceptionally heavy....

ATLANTA

Little bank relations work was done during July.

CHICAGO

Six State banks were admitted to membership and one nonmember State bank was authorized to commence business as a national bank.

In the past few months this Bank has been distributing a booklet descriptive of the operations of the Federal Reserve Bank of Chicago similar to the one it distributed in 1937. In February 1941, a letter was addressed to 849 member banks in the District, enclosing a copy of the booklet and stating that a specified number, from 100 to 500 copies depending upon the deposits of the bank, had been allotted to each bank for distribution to its customers. The bank was advised that if it wished to participate in the program and would furnish a list of its customers, an imprint would be placed on the booklets showing that the bank was a member of the Federal Reserve System and the booklets would be mailed direct from this office with no cost to the bank. Additional copies over the original allotment were offered to the member banks at a cost of five cents each plus cost of mailing or transportation charges. To date requests have been received from 628 banks for 139,514 booklets....

Advance inquiries for Treasury Tax Notes indicate a probable sale of \$100,000,000 during the month of August.

During the four weeks ending July 26, the total production of passenger cars and trucks was 426,322 units. A year ago the total was 204,993, and during the same period of 1939 it was 206,151.... The metals industry in the District added approximately 370,000 employees to its pay rolls during the year ended June 30, 1941, without drawing down employment in other industries.... That agriculture has been contributing workers to industry is indicated by the steadily decreasing ratio of supply to demand for farm labor.

For the first time in the history of the Chicago Board of Trade, shippers were asked on July 18 not to send any more grain to this market unless they had made previous arrangements for storage.

In Wisconsin cheese production increased about 13 per cent over a year ago, and sales were up approximately 45 per cent.... Farmers are happy over the size of their milk checks.

One competent observer reported that farm labor is commanding \$4.50 a day, or about \$85.00 on a monthly basis. The farm wage rates are, roughly, 35 per cent above a year ago.

Reports on corn crops were as follows:

	<u>Acres</u>	<u>Yield per Acre</u>	<u>Production</u>
Indiana	3,937,000	47	185,039,000
Iowa	over 9,000,000	52	474,290,000
Michigan	1,511,000	38	57,418,000

ST. LOUIS

Agricultural Conditions

In northern Missouri the wheat crop was below normal due largely to frost damage last fall. In general, yields of other crops, including other small grains and hay, appear to be good.

In Illinois the small grain crops already harvested have made fair to good yields.

In Arkansas crops are generally satisfactory. The cotton crop is not made, but there appears to be a good plant throughout most of the State.... The corn crop appears to be good in most sections.

The tobacco crop in Kentucky has made favorable progress.

Industry and Trade

Up to date there has been practically no curtailment of manufacturing operations in consumers' goods industries as a result of inability to obtain materials which are required for the defense program.... The inability to obtain coal cars from the railroads has resulted in a temporary stoppage of mining operations only in a few isolated cases.

Banking Conditions

Banks generally report an increasing volume of installment loans from customers who are buying automobiles and other types of durable consumers' goods.

As a result of this rapid expansion of deposits, a number of banks are concerned about the reduction in their capital ratios and are afraid that they will be requested by supervisory authorities to increase their capital. As a result many of these institutions are keeping themselves in an abnormally liquid position....

One banker stated with some degree of satisfaction that he could liquidate his bank within twenty-four hours.

In mentioning that Government lending agencies were not in competition with his bank, and did not take any business away from it, the vice president of an Arkansas nonmember said his bank had made 1,150 loans to farmers during 1941, averaging around \$100 each, at a 10 per cent rate of interest.

MINNEAPOLIS

East Central North Dakota

The crop conditions are almost too good to be true.... North Dakota will harvest one of the largest crops in over twenty years.

The territory visited, particularly the Red River Valley, has been known predominantly as the "bread basket of the world", and it has lived up to its name until within the last five or six years.

Additions were being erected on elevators in almost every town visited, while lumber companies are now building portable bins to hold from 1,000 to 1,500 bushels of wheat, so constructed that they can be skidded to farms by tractors. Inasmuch as farmers receive 7 cents a bushel for farm-stored wheat, it is estimated that a bin can be fully paid for through such storage within three years.

More tractors, combines, and other farm machinery, have been sold this year to the farmers than for many years past.

One banker told our representative definitely that if he could retire his preferred stock without converting it into common capital, his bank would remain a national institution.

Western South Dakota

Up to the time of our visit, South Dakota had had more rainfall in 1941 than for several years. Small grain and range conditions were excellent.

Hundreds of small dams have been constructed in the draws

and low spots in the hills, and the landscape is dotted with small watering places for cattle and sheep.

Most of the banks are paying two per cent on time money. In many of the banks, reserves are lower than for many years. The loan demand is unusually good. Some of the banks in this region are discounting with the Federal Reserve Bank. Others may do so or may borrow from their correspondents.

There are almost no loans at a rate below 8 per cent.... In a few of the larger centers, competition forces the rates as low as 6-1/2 or 7 per cent.

Southern Minnesota.

In general, the crop will be better than fair, but no better than good. This region is entirely devoted to diversified farming....

Montana

In some parts of the State agricultural conditions are reported to be better than they have been in the memory of some of the older farmers and ranchers, and in other parts the claim is made that conditions are as good as they were in 1915 when bumper crops were raised. Wool, livestock, and grain prices are good and it is reported that considerable money **will** be made this year.

The copper mines at Butte are operating at capacity. The price of copper has been fixed at 12 cents by the O.P.M. which it is reported is too low to adjust the wages of the miners upward to meet the present and expected higher cost of living. Miners are now being paid \$5.00. The working contract between the miners' union and the mining company will expire in October of this year and the union has given notice that it expects upward adjustments in wages. In order to meet this and other rising costs, the operating companies are attempting to get the price administration to increase the price of copper to somewhere around 14 cents.

KANSAS CITY

South Central Kansas

There was general disappointment with the wheat crop as in many places yields were scarcely more than half what had been expected a few weeks earlier....

Oklahoma

In Oklahoma the selling of cotton has been active following the sharp increase in prices and this is releasing a good deal of money throughout that State....

Work has just started on the new \$14,000,000 airplane repair depot near Oklahoma City. The Army engineer in charge of the project stated that while the project was classed as only \$14,000,000, it was his opinion the ultimate expenditure would run in the neighborhood of \$25,000,000.

DALLASWest Texas

Practically every bank visited reported a good demand for loans....

Prospects for cotton and feed crops are very promising but the crops are late.

Farmers in general are in much better financial condition than they have been in years.

SAN FRANCISCO

No report received.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

July 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	22	17	39	<u>1/</u>	<u>1/</u>	3	226
New York	122	47	169	0	0	0	0
Philadelphia	49	27	76	0	0	0	0
Cleveland	39	11	50	2	500	3	115
Richmond	51	35	86	3	452	0	0
Atlanta	4	0	4	2	<u>2/</u>	7	560
Chicago	14	25	39	0	0	0	0
St. Louis	57	101	158	5	820	2	125 <u>2/</u>
Minneapolis	117	101	218	4	593	3	150
Kansas City	19	62	81	4	260	1	25
Dallas	19	2	21	0	0	1	300
San Francisco	5	0	5	11	472	6	462

1/ Not reported.2/ Not completely reported.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers
of Saturday, August 23, 1941

August 22, 1941

Under authority of the President's Executive Order, dated August 9 and issued August 11, the Board of Governors of the Federal Reserve System has adopted Regulation W relative to instalment credit. The regulation is to take effect September 1, 1941, except for certain provisions relative to administration. It prescribes instalment credit terms applicable to a list of 24 consumers' durable goods. It also contains provisions covering certain modernization loans. In addition, it applies to instalment cash lending thereby covering credit used for consumptive purposes, designating as such instalment loans of \$1,000 or less. Within this figure are all but a small percentage of such loans while those above it are primarily for purposes related to production.

Changes in the regulation -- in the list of articles included, in the terms prescribed, and in administrative and other provisions -- may be expected from time to time as experience with the regulation is gained and as changing economic conditions indicate the need therefor in order to assist in accomplishing the purposes of the Executive Order "to promote the national defense and protect the national economy." With respect to such changes, the Board will continue to follow its usual practice of consulting representatives of all groups affected.

- 2 -

The regulation, as adopted, permits an 18 months' period for payments on all of the articles listed. It also provides for down payments of one-third on new and used automobiles, aircraft, power-driven boats and motors used therein, outboard motors and motorcycles. On other groups of articles embraced within the regulation, minimum down payments are 20 per cent for some groups, and 15 or 10 per cent for others, excepting real estate modernization loans (for other than listed articles) on which no minimum down payment is prescribed.

The principal differences between the regulation as adopted and the tentative draft made public by the Board on August 15 are due to textual amendments designed primarily to clarify or further implement various provisions and to the addition of the following articles to the list of those covered by the regulation: new household furniture, pianos and electric organs, sewing machines, phonographs, water pumps, attic ventilating fans, musical instruments composed principally of metals.

As previously stated by the Board, administration of the regulation will be decentralized so far as possible through the 12 Federal Reserve Banks and their 24 branches, to which inquiries relative to the regulation may be addressed, and suggestions from anyone interested in or affected by the regulation are invited. When the registration forms required by the regulation have been prepared, they will be available to registrants at Federal Reserve Banks and branches. Registration is required on or before December 31.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-873



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 22, 1941

Dear Sir:

It will be appreciated if you will report expenses incurred in carrying out regulations issued by the Board of Governors under authority of section 5(b) of the Act of October 6, 1917, as amended, and Executive Order No. 8843, dated August 9, 1941, on page 10 of the Functional Expense Report, Form E, in a new function entitled, "Instalment Credit". We are now revising the necessary pages of Form E and of the manual of instructions governing its preparation, and they will be forwarded to you when completed.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-874

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



August 23, 1941.

Dear Sir:

Information coming to my attention from the Office of Production Management indicates that during the month of July the Coordinators' offices at the Federal Reserve Banks and Branches had over 500 inquiries and conversations relating to the availability of credit. It is assumed that a substantial portion, at least, of the persons making such inquiries were referred to the Defense Contract officer at the respective Federal Reserve Banks and Branches.

In order that we may have available information as to the nature of these inquiries and the disposition made of them, it will be appreciated if you will forward to me at your earliest convenience a statement for the month of July setting forth:

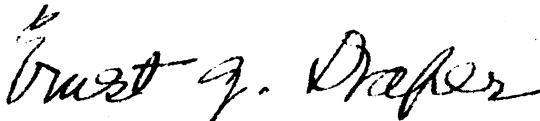
- (1) Number of inquiries received by your Bank and each of your Branches, if any, from the Defense Contract Service office relating to:
 - (a) Advances for working capital purposes
 - (b) Advances for fixed capital purposes
 - (c) Other financing matters
- (2) In the case of inquiries for working capital advances, which could not be granted by the Federal Reserve Bank, the number and amounts thereof and the reasons for unfavorable action.
- (3) Disposition made of inquiries for advances for purposes other than for working capital.

- 2 -

It will also be appreciated if you will send me a similar report covering inquiries received from outside sources, i.e., other than through the Defense Contract Service office.

Will you also be good enough to send me reports similar to the above for August?

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper". The signature is written in dark ink and is positioned above the typed name.

Ernest G. Draper.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

R-875

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers
of Monday, August 25, 1941

August 23, 1941

Statement of Chairman Eccles

on instalment credit regulation.

It is important that the public know why they are asked to accept and to cooperate in making effective the President's Executive Order calling for regulation of instalment credit. Employment and national income are rapidly rising to new high levels primarily because of the huge defense expenditures. This means that by and large people have more money to spend than ever before. This is happening at a time when more and more of our industrial plant must be used to produce defense materials. To the extent that plants can be expanded, or can work longer hours, or that shortages of strategic materials or of skilled help, can be overcome, we can produce both for defense and for civilian consumption. And the aim of all policy should be to increase production to the fullest possible extent. But we know that there are acute shortages of certain metals and other strategic materials. We know that beyond a point our plants cannot turn out more and more goods for the public and at the same time produce more and more for defense. The imperative demands of defense must have the right of way over civilian needs.

If there are no restraints upon the public's spending of increasing income for articles that cannot be produced in sufficient quantity to meet the increasing demand, the inevitable result is that the prices of these articles will be rapidly bid up. The consequence is what is commonly termed inflation. Inflation is as destructive as deflation. It shatters all of the adjustments of our economic machine. It hits hardest of all those of small means. It would not only vastly increase the costs of defense, but it would imperil our entire economy and make increasingly difficult the adjustments of the post-war period.

- 2 -

The Government is striving in various ways to combat inflation. Taxation is a means not only of helping to pay for defense but of drawing off buying power that would otherwise inundate our markets. Similarly, the Treasury has appealed to the public to invest in savings bonds and stamps, and in tax anticipation notes, to aid in meeting the costs of defense and to divert money from the marketplace until such time as we can turn again to peace time production.

These broad measures have to be backed up by others. Thus, in the case of acute shortages, the Government has had to fix prices, to invoke rationing and priorities. Beyond all this, however, it is evident that if we, in effect, draw off buying power with one hand and extend credit with the other, we have accomplished nothing in reducing the aggregate demand in the markets. If you pay \$50 in taxes and invest \$50 in savings bonds, and then turn around and borrow \$100 to spend, you have not curtailed your purchases by a penny.

Accordingly, it is of primary importance that restraints be placed upon the wholesale extension of credit, including instalment buying. The volume of instalment credit has been expanding very rapidly, as it always does in times of rising national income. Yet when incomes are at high levels, that is the time when people should reduce their debts or get out of debt. Our people cannot spend their increased incomes and go into debt for more and more things today without precipitating a price inflation that would recoil ruinously upon all of us. Instead of an ever-expanding volume of consumer credit, we need to bring about a substantial reduction in the total

outstanding. Civilian demand for goods must be adjusted as closely as possible to supplies available for consumption. Regulation of instalment credit is a necessary measure to this end. By deferring civilian demand at this time we can help avoid inflation, we can aid in defense, and we can store up a backlog of buying power that will help offset a post-defense slump.

The impression held by some that regulation of instalment buying tends to restrict production or to curtail the business of dealers in merchandise is based on misunderstanding. It is because of defense needs, not because of regulation of instalment credit, that civilian supply is reduced in various lines, such as automobiles. The purpose of instalment credit regulation is to help dampen demand for goods the civilian supply of which has already been reduced and must be further reduced because of defense needs. In a word, the purpose is to dampen demand, not to diminish production. If production could keep pace with both civilian and defense demands, we would have no price inflation troubles. We would need none of the measures of control and regulation which are being invoked with the objective of protecting the public.

The regulation issued by the Board of Governors of the Federal Reserve System covers a list of consumers' durable goods. Demand for these goods tends to cause inflationary price rises as well as to absorb materials increasingly needed for defense. The regulation prescribes instalment terms that are by no means stringent or onerous. It does not prohibit buying on instalments, whether it be automobiles or ice boxes. It is a supplemental instrument to be used in conjunction with the broader, more basic fiscal and

- 4 -

other governmental powers in combating price inflation. It is not being used as an instrument of reform or alteration of the fundamentals of our economic system. In effect, it recognizes what in many lines are standard practices. The intent is not to disrupt but to protect the economy.

The public should be fully aware, however, that the regulation is subject to change from time to time as experience with its administration develops, and as economic conditions require a further dampening of buying power in order to safeguard the interests of consumers and the public generally.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release

September 4, 1941

In order to assist in the development of regulations relative to consumer credit, the Board of Governors of the Federal Reserve System has engaged the services of Mr. Irvin Wesley, who is on leave of absence from the Lincoln Loan Corporation, Indianapolis, Indiana, of which he is executive vice president.

Mr. Wesley's entire business life has been spent in the field of consumer credit, and during the last fifteen years he has been in the personal finance business. He has been for ten years on the Board of Directors of the American Association of Personal Finance Companies and is at present one of the six members of the "Commission for Financial Institutions" for the State of Indiana.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

76

R-877

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 5, 1941

Dear Sir:

Referring to the Board's letter R-765 of January 11, 1941, the following change should be made in the list of nonmember banks that have in force agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934:

Deletion

New York

Newburgh

The Columbus Trust Company
(Admitted to Federal Reserve
membership on August 29, 1941)

The last previous change in this list was given in the Board's letter of August 7, 1941 (R-862).

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written in a cursive style.

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

77

R-878

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 5, 1941

Dear Sir:

The Board has been advised that the Insurance Committee, appointed by the Chairman of the Presidents' Conference at the Board's request, has filed a report under date of August 23, 1941, recommending a definite plan under which insurance now carried against certain losses may be discontinued and such losses absorbed by the Federal Reserve Banks under contractual agreements entered into with each other and that copies of this report have been furnished to the Presidents of all Federal Reserve Banks.

A comparatively simple plan appears to have been worked out by the Committee, the adoption of which, the Committee estimates, would result in average savings to the twelve Federal Reserve Banks of at least \$250,000 per annum.

In order that the report may be acted upon as soon as practicable, the Board has asked me to advise the President of each Federal Reserve Bank that it hopes he will review the Committee's report in advance of the next meeting of the Presidents' Conference so that the plan may be fully considered at that time.

Such a procedure will permit the President of each Bank to learn the views of the other Banks before submitting the report to his Directors for formal action.

Very truly yours,

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-879

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 5, 1941



Dear Sir:

Subsection 6(e)(2) of Regulation W excepts from the provisions of the regulation any extension of credit to remodel or rehabilitate any dwelling or residence which the Defense Housing Coordinator, or his authorized agent, shall designate as being for "defense housing" as defined by the Coordinator. The subsection also states that information regarding the procedure for obtaining such a designation would be available through any Federal Reserve Bank or branch.

After consultation with members of the Board's staff, the Division of Defense Housing Coordination has prepared a memorandum of the procedure to be followed to obtain such a designation, together with (1) a form (Form No. OEM-306) of application for designation of remodeling or rehabilitation as defense housing, and (2) a form (Form No. OEM-305) for use in submitting information regarding material and equipment entering into defense housing remodeling and rehabilitation when a priority status is being sought. Five copies of each of these documents are enclosed with this letter and 150 additional copies are being sent under separate cover to your head office and 25 copies to each of your branches (if any).

When advising the Defense Housing Coordinator that the memorandum and accompanying forms were agreeable to the Board of Governors, it was stated that the Board and the Federal Reserve Banks and their branches would be glad to be of all possible assistance in facilitating public information with respect to the procedure. It is suggested, therefore, that you take such steps as appear to be appropriate to make known to interested persons in your district that the documents are now available and that you let us know as much in advance as possible when additional copies are needed.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

79



R-880

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 6, 1941

Dear Sir:

This refers to the Board's telegram of today, copy attached, requesting that you have computed, in the case of each member bank, the percentage ratio of its demand deposits, both including and excluding interbank deposits, on June 30, 1941 to the corresponding figures on June 30, 1938.

A supply of forms (tables 1 and 2) for use in making two frequency distributions of the banks is enclosed. As indicated in the Board's telegram, the frequency distributions should be mailed or telegraphed in time to reach the Board's offices by Monday morning, September 15. If the figures are telegraphed the code words and letters provided for the purpose should be used to designate the banks in each group. For example, in table 1, the number of reserve city banks with demand deposits under \$10,000,000 may be wired simply as "Jarl A 15, B 1, D 3, E 5, G 4, I 2". Code words and letter designations for groups in which there are no banks should, of course, be omitted.

It is probable that distributions of the dollar amount of deposits on June 30, 1941, and of the changes in deposits between June 1938 and June 1941, corresponding to tables 1 and 2, i.e., four additional tables, will also be desired later on; if so, you will be advised to that effect by telegraph. Until further notice, therefore, the form showing the information for each individual member bank should be retained at your Bank.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosures

(One enclosure(form) sent with addressed copies only)
TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

TELEGRAM

R-880-a

Young - Boston	Leach - Richmond	Peyton - Minneapolis
Sproul - New York	McLarin - Atlanta	Leedy - Kansas City
Williams - Philadelphia	Young - Chicago	Gilbert - Dallas
Fleming - Cleveland	Davis - St. Louis	Day - San Francisco

Please prepare form showing following information for each bank in your district that was a member of the Federal Reserve System on June 30, 1941:

Name, location, and reserve classification of bank

- | | |
|---|-------|
| 1. Total demand deposits, June 30, 1941 | _____ |
| 2. Interbank demand deposits, June 30, 1941 | _____ |
| 3. Item 1 minus item 2 | _____ |
| 4. Total demand deposits, June 30, 1938 | _____ |
| 5. Interbank demand deposits, June 30, 1938 | _____ |
| 6. Item 4 minus item 5 | _____ |
| 7. Ratio of item 1 to item 4 (per cent) | _____ |
| 8. Ratio of item 3 to item 6 (per cent) | _____ |

Item 1 above is to be entered from item 7 in call report Schedule E, and item 2 above from items 4 and 5 (combined) in Schedule E. Items 4 and 5 above should be entered from call report Schedule J. All deposit figures should be entered in thousands of dollars (disregard amounts under \$500). Ratios should be carried to one point beyond the decimal (for example, 143.8).

Forms for distributing the banks by amount of demand deposits and by ratio of June 1941 deposits to June 1938 deposits are being mailed. The frequency distributions should be mailed or telegraphed in time to

reach Board's offices by Monday morning, September 15, to be followed later by the individual member bank forms.

The forms for banks that were not members of the System on both dates (1941 and 1938) need not be completed, but dates of admission to membership should be indicated thereon. Such banks cannot be included in the frequency distributions. Any member bank which during the 3-year period absorbed another bank whose June 1938 figures are not available should also be excluded, with explanatory note, unless the absorbed bank was relatively small compared with the continuing bank. If the absorbed bank's figures for June 1938 are available, they should be combined with those of the continuing bank. It is contemplated that the data requested will be compiled from records in your possession and that inquiry must not be made of member banks.

(Signed) Chester Morrill

Morrill

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-831

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 6, 1941

Dear Sir:

On Sunday evening, August 31, 1941, the American Forum of the Air, presented over a coast to coast mutual network from the Willard Hotel in Washington, D. C., discussed the subject "How Far Should We Curb Instalment Buying?". Mr. Chester C. Davis, President of the Federal Reserve Bank of St. Louis, and Mr. Rolf Nugent, Consultant to the Office of Price Administration, participated in the program.

In view of the timeliness of this subject and the responsibility of the Federal Reserve System for the administration of its recently issued Regulation W with respect to consumer credit, five copies of the radio script, which have just been received from the printer, are being sent herewith to each Federal Reserve Bank and three copies thereof to each branch.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

Enclosures

LETTER TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
AND TO THE MANAGING DIRECTORS OF ALL BRANCHES

(Enclosures sent with addressed copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-882

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 16, 1941

Dear Sir:

There is enclosed for your information a copy of the Board's Functional Expense Exhibit for the first half of 1941, which has been compiled from the semi-annual functional expense reports (Form E) received from the Federal Reserve Banks and Branches. Additional copies are being forwarded under separate cover.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

TO THE CHAIRMEN AND PRESIDENTS OF ALL
FEDERAL RESERVE BANKS
(Enclosures with addressed copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



R-883

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 17, 1941

Dear Sir:

On Monday, October 13, in observance of Columbus Day, which falls on Sunday, there will be neither transit nor Federal Reserve note clearing and the books of the Board's Interdistrict Settlement Fund will be closed. The offices of the Board and the following Federal Reserve Banks and Branches will be open for business as usual on that day:

Cleveland
Cincinnati

Charlotte

Nashville

Detroit

St. Louis
Little Rock
Memphis

Minneapolis

Kansas City
Oklahoma City

Please notify branches.

Very truly yours,

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

85

R-884

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 17, 1941

Dear Sir:

At the request of Mr. William A. Day, Vice Chairman of the Presidents' Conference, I am sending you herewith a copy of the Second Report of the Committee on Handling U. S. Postal Money Orders, in order that you may have an opportunity to review the report before the next Presidents' Conference.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT SAN FRANCISCO
(Enclosure with addressed copies only)



SECOND REPORT OF THE
COMMITTEE ON HANDLING OF U. S. POSTAL MONEY ORDERS
TO
THE CONFERENCE OF PRESIDENTS
OF THE FEDERAL RESERVE BANKS
September 17, 1941

September 17, 1941

To the Conference of Presidents:

In its report dated July 10-11, 1940, the Standing Committee on Collections recommended that a committee be appointed by the Conference of Presidents to discuss with the Post Office Department the possibility of the Reserve Banks' handling United States postal money orders under the practice existing prior to August 1, 1934, whereby money orders for the first 30 days after issue could be presented to any postmaster for payment without fee. Under the practice existing since that date, the Reserve Banks can not collect out-of-town money orders at local post offices without payment of fees equal to those charged for issuing the orders. This recommendation was approved at a meeting of the Conference of Presidents held on September 27-28, 1940, and the Committee appointed discussed the matter with the Post Office and Treasury Departments on February 11, 1941.

The following recommendations are contained in the report, dated March 11, 1941, of the Committee on Handling of U. S. Postal Money Orders:

"The Committee RECOMMENDS that all Federal Reserve Banks advise their member and nonmember clearing banks that after _____ (a date to be fixed by the Conference of Presidents) the Reserve Banks will not accept for collection and credit, either as cash items or as noncash items, any United States postal money orders except those that are drawn on or issued by a post office in a Federal Reserve Bank or Branch city or Washington,

D.C., including those drawn on or issued by a post office in a city adjacent to a Federal Reserve Bank or Branch city that can be collected locally by the Reserve Bank or Branch without the payment of a fee. Since the purpose of money orders is to transmit small sums of money to payees in designated places, your Committee believes that the orders should be collected from the designated post offices by the payees directly or through their local banks.

"The Committee also RECOMMENDS that all Federal Reserve Banks send their member and nonmember clearing banks a circular letter advising them of the change in practice, the date of issue and the effective date of the circular to be the same for all Federal Reserve Banks. A suggested uniform circular is attached. The circular indicates that all Federal Reserve Banks are taking the same action regarding the collection of postal money orders and also indicates rather fully the reasons why the Federal Reserve Banks are discontinuing the handling of certain money orders."

The above-mentioned report was submitted at the meeting of the Conference of Presidents held on March 17, 1941. After consideration and discussion, the Conference of Presidents

"VOTED that the report on 'Handling of U. S. Postal Money Orders' be referred to the Presidents for study, after which the Presidents are to send their views to the Chairman of the Conference, and that if such views are in agreement the recommendations of the report be made effective, but if such views show substantial difference action on the report be taken at the next Conference of Presidents."

The minutes of the next following meeting of the Conference of Presidents held on June 11, 1941, contain the following:

"Inasmuch as no uniform agreement was obtained by correspondence on the report of the Committee on Handling of U. S. Postal Money Orders, the subject was reviewed in accordance with the resolution adopted by the Conference on March 17, 1941. After consideration it was

VOTED that the substance of the report be accepted and that the subject matter, together with the comments, criticisms and suggestions made by various Federal Reserve Banks, be referred to the Committee for revision of the report and presentation to the next Presidents' Conference for further consideration."

In reviewing the correspondence received from the Presidents of the Federal Reserve Banks with respect to the report, it appears that eight of the Reserve Banks--Boston, New York, Richmond, Atlanta, St. Louis, Minneapolis, Kansas City and Dallas--approve the adoption of the Committee's recommendations without qualification, although St. Louis suggests a change in the last two paragraphs of the uniform circular letter, and New York thinks the circular can be improved. Two Banks--Philadelphia and San Francisco--do not suggest any change in the report but are rather inclined to the view that the present practice should not be changed. Both of these Banks, however, believe that the practice of the Reserve Banks should be uniform and are willing to go along with the other Federal Reserve Banks if the Committee's recommendations should be adopted. One Bank--Chicago--is in sympathy with the Committee's recommendations, but in view of present punch-card experiments being undertaken, does not want to make any change at this time. The remaining Bank--Cleveland--is opposed to making any change in its present practice and votes against adopting the Committee's recommendations.

The Reserve Banks that seem to have some doubt about the Committee's recommendations appear to feel that member banks are being

deprived of a service. While it is true that the banks which are now collecting postal money orders through the Federal Reserve System would have to make other arrangements if the Committee's recommendations were adopted, it is quite evident that the present service is being rendered at the inconvenience of the banks to which the money orders are being sent by the Reserve Banks for collection. It may be that fully as many banks are inconvenienced by the collection of postal money orders through the Federal Reserve System as are benefitted by the service.

The only suggestions with respect to specific changes in the Committee's report relate to the circular letter which the Committee recommended be sent by all Federal Reserve Banks to their member and nonmember clearing banks, advising them of the proposed change in practice. The Committee has considered these suggestions and recommends that the attached draft of circular be substituted for the draft attached to its March 11, 1941, report. While no other changes in the Committee's report of March 11, 1941, are recommended, the Committee again wishes to point out that the present practice followed by the several Federal Reserve Banks with respect to the collection of postal money orders is not uniform (see statement attached to March 11, 1941, report). If the recommendations of the Committee are not approved by the Conference of Presidents, it is suggested that the Conference consider whether the method of handling postal money orders should be made uniform or left to the discretion of each Federal Reserve Bank.

- 5 -

Should this report receive favorable consideration by the Presidents' Conference, it is suggested that before the plan is put into effect and member and nonmember clearing banks notified thereof, formal approval of the Treasury Department be obtained of the tentative arrangements worked out between the Committee and the Treasury with respect to collecting money orders deposited with the Federal Reserve Banks by Government agencies and officials which are not drawn on or issued by postmasters in Federal Reserve Bank or Branch cities,

Respectfully submitted,

J. M. Rice

J. S. Walden, Jr.

E. L. Smead, Chairman.

FEDERAL RESERVE BANK OF



(Circular No. 0000)
(_____, 1941)

COLLECTION OF
U. S. POSTAL MONEY ORDERS

TO ALL MEMBER AND NONMEMBER CLEARING BANKS:

This is to advise that on and after _____, 1941, this Bank and other Federal Reserve Banks will not accept for collection from member or nonmember clearing banks, either as cash or noncash items, any postal money orders that are not drawn on or issued by a post office in a Federal Reserve Bank or Branch city, or Washington, D. C., and _____*. We will continue after _____, 1941, to accept for collection as cash items money orders that are drawn on or issued by post offices in the cities referred to above.

Consistent with the foregoing, direct sending member banks and non-member clearing banks should not send to any other Federal Reserve Bank, or to any Branch of another Federal Reserve Bank, any postal money orders not drawn on or issued by the respective post offices in the cities in which such other Federal Reserve Banks or Branches are located.

For the information of member banks and nonmember clearing banks we quote below paragraphs 1 and 2 of section 1429 of the Postal Laws and Regulations, which section is contained in Title VIII, Chapter 3, entitled "Payment of Domestic Money Orders".

* Each Federal Reserve Bank should insert here the names of cities, if any, adjacent to its head office and branch cities on which money orders can be collected locally by the Reserve Bank or Branch without the payment of a fee.

"Under such rules and regulations as the Postmaster General shall prescribe, postal money orders may be issued payable at any money-order post office, and on and after the date upon which such rules and regulations become effective all money orders shall be legally payable at any money-order post office, although drawn on a specified office; and as compensation for the extra labor involved in paying a money order at an office other than that on which the order is drawn the Postmaster General is authorized to exact a fee of the same amount as that charged for the issue of the order (act of June 16, 1934, Public, No. 366, 73d Cong.).

"2. An original domestic money order shall be paid at its full face value if presented at the office on which drawn or at the office of issue at any time within the period of its validity, which is 1 year from the last day of the month in which issued. For the first 30 days after issue any domestic money order issued in the continental United States (except Alaska), and drawn on an office located therein, may be paid for its face value, less the fee prescribed by the law quoted above, at an office other than that of issue or that on which drawn, provided the office at which presented is located within the continental United States (except Alaska)."

Prior to August 1, 1934, when the revised Regulations of the Post Office Department became effective, Federal Reserve Banks could collect all postal money orders at their local post offices without the payment of a fee, regardless of where such orders were issued or where they were payable. When the Post Office Department revised its Regulations to provide a fee for cashing any postal money order when presented at an office other than that of issue or that on which drawn, Federal Reserve Banks, as a general rule, began sending money orders not drawn on or issued by postmasters in Federal Reserve Bank and Branch cities to member or par nonmember banks located at the points on which the orders were drawn or at which issued as cash items for collection and reitance. This practice has not proven to be entirely satisfactory since many member and par nonmember banks feel that they are entitled to make a charge for their services in presenting the money orders to their local post offices for payment, and some banks have declined to handle postal money

orders for the Federal Reserve Banks unless they are permitted to make a charge for their services.

In view of these developments and since the payees or holders of postal money orders can collect all of them from their local post offices, and such of them as are drawn on or issued by their local post offices without the payment of prescribed fees, there is no adequate reason why the Federal Reserve Banks should continue to receive for collection any money orders, other than those (specified in the first paragraph of this circular) which can be cashed by the Federal Reserve Banks themselves for their member and nonmember clearing banks free of fees or other collection charges.

President

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning papers,
Friday, September 19, 1941

The following summary of general business and financial conditions in the United States, based upon statistics for August and the first half of September, will appear in the October issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial activity increased further in August and the first half of September, and commodity prices continued to advance. Distribution of commodities to consumers expanded considerably.

Production

In August industrial output increased somewhat more than seasonally and the Board's adjusted index advanced from 160 to 161 per cent of the 1935-39 average. There were sharp further advances in activity in the machinery, aircraft, shipbuilding, and railroad equipment industries. Lumber production also increased, while furniture production, which had been unusually large in July, showed less than the customary seasonal rise in August. Output of steel and nonferrous metals continued at near-capacity rates.

In the automobile industry output of finished cars declined sharply as plants were closed during the changeover to new model production and output in factories producing bodies and parts also was reduced considerably. In the first half of September automobile assemblies

increased as production of new models was begun but from now on, owing to Government restriction on passenger car production, output will be considerably below that during the previous model year.

In most nondurable goods industries production in August continued around the high levels reached earlier this year. At cotton mills activity declined slightly from the record level reached in July, while at woolen mills there was some increase. Rayon output continued at peak levels. In the silk industry operations were curtailed sharply, as the Government requisitioned all supplies of raw silk, and deliveries of silk to mills declined from 28,000 bales in July to 2,000 in August. Rubber consumption also decreased, owing to a Government curtailment program. Shoe production, which had been unusually large, increased less than seasonally in August, and output of manufactured food products and chemicals showed seasonal increases from the high levels prevailing in June and July.

At mines coal production in August, as in other recent months, was unusually large for the season, and output of crude petroleum rose to a record level of 4,000,000 barrels daily in the latter part of the month. Iron ore shipments down the Lakes amounted to 11,500,000 tons, the largest monthly total on record.

Value of construction contract awards showed a further sharp increase in August and was about four-fifths larger than a year ago, according to F. W. Dodge Corporation reports. The rise from July was substantial for all general types of construction but was most pronounced

for publicly-financed projects. Awards for residential building continued to increase.

Distribution

Sales of general merchandise rose sharply in August and were at an extremely high level for this time of year. The Board's seasonally adjusted index of department store sales advanced to 133 per cent of the 1923-25 average as compared with 115 in July and an average of 103 in the first half of this year. In the early part of September department store sales declined from the peak reached in the latter part of August.

Railroad freight-car loadings in August were maintained in the large volume reached in June and July. Coal shipments increased, following some reduction in July, while loadings of grain, which had been large since last spring, declined.

Commodity prices

Wholesale prices of most groups of commodities continued to advance from the middle of August to the middle of September. Prices of grains, other foodstuffs, and cotton showed large increases and there were advances also in prices of a number of industrial commodities not covered by Federal price ceilings. Fragmentary data available indicate that retail prices of foods and other commodities rose further during this period.

Agriculture

The outlook for agricultural production in 1941 showed little change during August. Crop prospects were reduced slightly by drought but aggregate crop production is expected to be two per cent larger than

last year and the largest for any year except 1937. Total marketings of livestock and livestock products will probably be the largest on record. Preliminary estimates of the Department of Agriculture indicate that cash farm income, including Government payments, will be about \$10,700,000,000, compared with \$9,120,000,000 in 1940.

Bank credit

Commercial loans at reporting member banks in 101 cities continued to rise substantially during the four weeks ending September 10. Bank holdings of United States Government securities showed little net change, while holdings of other securities increased somewhat at New York City banks. As a result of the expansion in loans and investments bank deposits continued to increase.

United States Government security market

Prices of Treasury bonds increased in the latter part of August but subsequently declined somewhat in the first part of September. On September 15, the partially tax-exempt 2-3/4 per cent 1960-65 bonds were yielding 2.06 per cent compared with the record low yield of 2.02 per cent. Yields on Treasury notes showed little change in the period.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R- 886



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1941

Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copies

Form F.R. 105 (Call 88, Short form), Report of condition of State bank member.

Form F.R. 105b (Revised August 1939), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.

Form F.R. 105e (Call 88), Publisher's copy of report of condition of State bank member.

Form F.R. 220 (Revised August 1935), Report of affiliate or holding company affiliate.

Form F.R. 220a (Revised December 1938), Publisher's copy of report of affiliate or holding company affiliate.

Form F.R. 220b (Revised February 1938), Instructions for preparation of reports of affiliates and holding company affiliates.

No change has been made since the last call for reports in any of the forms listed above, with the exception of technical changes in the captions of items 32(b) and 32(c) on the face of form F.R. 105 (Short form), which changes had previously been made in the long form.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures 6



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

100

R-887

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 19, 1941

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of August 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

O. E. Foulk,
Fiscal Agent.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF AUGUST 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses(1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	23,341	266	28,607	\$ 411.93	\$ 312.50	\$ 99.43
New York	81,145	-	81,145	1,168.46	1,268.12	99.66(a)
Philadelphia	19,796	266	20,062	288.88	251.33	37.55
Cleveland	38,116	266	38,382	552.68	329.38	223.30
Richmond	47,426	266	47,692	686.75	412.37	274.38
Atlanta	41,792	266	42,058	605.62	276.23	329.39
Chicago	71,954	304	72,258	1,040.49	1,286.11	245.62(b)
St. Louis	46,377	266	46,643	671.64	237.96	433.68
Minneapolis	19,192	266	19,458	280.19	230.74	49.45
Kansas City	45,419	266	45,685	657.85	274.30	383.55
Dallas	41,644	281	41,925	603.70	336.86	266.84
San Francisco	60,560	266	60,826	875.87	431.28	444.59
Board of Governors	631,469	-	631,469	9,092.91	11,289.79	-
Total	1,173,231	2,979	1,176,210	\$16,936.97	\$16,936.97	\$2,542.16 99.66(a) 245.62(b) <u>\$2,196.88</u>

- (1) Based on cost per word (\$.014399614) for business handled during the month.
- (2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,163.48) and wire rental (\$10,510.71) less amount (\$384.40) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury and Reconstruction Finance Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.
- (a) Credit--reimbursable to New York.
- (b) Credit--reimbursable to Chicago.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-388

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 22, 1941

Dear Sir:

In the Board's letter of September 2, 1941, S-296, each Federal Reserve Bank was requested to advise the Board as to the steps that have been taken to establish and maintain contact with the various State Defense Savings Bond organizations and to furnish it with a brief statement each month of the activities of the liaison officer in connection with the Defense Savings Bond Program.

The first replies to the above-mentioned letter have now been received from all Federal Reserve Banks, and there is enclosed a summary thereof in order that you may be informed as to the part other Federal Reserve Banks are taking in connection with the Defense Savings Bond Program.

It is our present intention to forward to you regularly summaries of the monthly reports of the Federal Reserve Bank liaison officers as long as it is felt that they may be of interest or assistance in connection with the Defense Savings Bond Program.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO LIAISON OFFICERS.

SUMMARY OF AUGUST 1941 REPORTS OF ACTIVITIES
OF FEDERAL RESERVE LIAISON OFFICERS IN CONNECTION WITH
DEFENSE SAVINGS BOND PROGRAM

Boston

Telephone contact has been made with the State Administrator for Massachusetts, and some publicity was arranged for September 9, on the occasion of Secretary Morgenthau's visit to Boston. The Bank's liaison officer has offered his services to the Massachusetts Administrator in any way that he can be of help.

Some correspondence has been had with the State Administrators in Connecticut, Rhode Island, Vermont, and Maine. No Administrator for New Hampshire has as yet been appointed.

New York

The liaison officer is taking an active part in the organization of the New York State Committee, his assistance having been solicited by the State Chairman.

Letters have been written to the State Chairmen of New Jersey and Connecticut, offering the Reserve Bank's cooperation and expressing its willingness to help in any way it can. While friendly and appreciative replies have been received, there has been no further development.

The Bank's Research Department has been assisting the New York State staff in selecting and preparing information which is desired in formulating plans for the sale of Defense bonds and stamps.

The Bank Relations Department has also been of assistance to the State organizations in working towards 100 per cent qualification of eligible banks as issuing agents.

Philadelphia

The work of the liaison officer has been largely confined so far to dealing with employers desiring information regarding pay roll deduction plans, businessmen who are interested in giving savings stamps as premiums, and individuals who are contemplating making regular purchases for the purpose of building up a retirement fund.

Some confusion has resulted from the fact that organizations have not been set up in Pennsylvania and Delaware, and employers who are instituting pay roll deduction plans find it difficult to get in touch with the proper representatives of the Defense Savings Staff in Washington. In some cases, however, the liaison officer has been able to suggest pay roll deduction

plans for consideration and has assisted in editing the preliminary announcements. In addition he was in close touch with six large companies now operating pay roll deduction plans and gave them help in getting organized. He was also of assistance in expediting the delivery of advertising material to the retail trade in order that merchants might have proper displays for their savings stamp campaign scheduled for the week September 15-20.

One of Philadelphia's leading newspapers has inaugurated a plan whereby its newsboys are to sell Defense Savings Stamps direct to their customers. Every newsboy is to carry a supply of albums and ten-cent Defense Savings Stamps.

Cleveland

Ohio. Recently the State Administrator opened an office in Cleveland and the liaison officer has discussed with him the progress of the campaign in Ohio. The Ohio Bankers Association has been very active in urging banks to qualify as issuing agents and the liaison officer sends each week to the Secretary of the Association the names of qualified agents that have been added to the list. The Superintendent of Banks has also been interested in this matter, and inquiries received from banks for information with respect to qualifying as issuing agents indicate that they have been urged to take this action by the Superintendent of Banks.

West Virginia. Letters have been forwarded to the State officials offering the Reserve Bank's assistance. The names of banks that have qualified as issuing agents are being furnished to the Commissioner of Banking in response to his request.

Pennsylvania and Kentucky. No appointments have as yet been made in these States, but it is understood that chairmen and administrators will soon be appointed.

Richmond

The State organization of Defense Savings Staff has been completed in only two States in the District, North Carolina and South Carolina, in each of which a State Chairman, State Administrator, and Deputy State Administrator has been appointed. In the District of Columbia, Virginia, and West Virginia, State Chairmen have been appointed, but no appointments have been made of State Administrators and Deputy State Administrators. No appointments have been made as yet for Maryland.

On July 30, Messrs. B. M. Edwards and G. F. Milton of the Treasury Department held a meeting in Richmond in the office of the Secretary of the Virginia Bankers Association for the purpose of selecting names of persons who might be invited to serve as members of the State organization in Virginia. The Bank's liaison officer attended the meeting and took part in the deliberations.

Richmond (Cont'd)

The Managing Director of the Baltimore Branch arranged for 15 bankers and other prominent citizens from various sections of Maryland to meet with Messrs. Edwards and Milton at the Baltimore Branch building on August 26, to discuss a State organization. The meeting was fully attended and the results of the conference were gratifying.

As soon as the Treasury authorized the Reserve Bank to release the names of qualified issuing agents, a list was prepared as of the close of business August 2, 1941, and weekly supplements have been issued since that time.

The liaison officer has communicated with each State Chairman appointed in the District, offering the fullest cooperation and assistance of the Bank and inviting him to call whenever he or members of his staff may have need for its services. The State Chairmen have been sent copies of the list of qualified issuing agents in their respective States, and supplements are being sent to them as issued. The list and supplements have also been sent to the Secretary of each State Bankers Association in the District as well as to State Banking Commissioners and others entitled to have them.

Atlanta

The liaison officer made seven speeches during July and August to civic clubs, bankers meetings and trade associations, to a total audience of approximately 600. The talks dealt in general with the problem of Defense financing, emphasizing in particular the necessity for public support of the Defense Savings Bond Program. The Managing Director of the Nashville Branch also addressed a group of about 150 members of the American Legion during August on "Why We Should Buy Defense Savings Bonds".

The Reserve Bank has cooperated with the Georgia Administrator in special publicity for the promotion of bond sales, and the officer in charge of the Fiscal Agency Department has been photographed in the local press together with the Administrator as selling savings bonds to various fraternal organizations.

A considerable volume of telephone inquiries from the general public have been answered by the liaison officer and other officers of the Bank, regarding various questions relating to Defense Savings Bonds. Explanations have been made to several business concerns regarding salary deduction plans. Lists of qualified agents have been furnished to Bankers Associations and Building and Loan Associations that are engaged in urging possible selling agents to qualify.

The Reserve Bank, by telephone calls, personal visits and letters, has been in touch with the various State Administrators in the District and has volunteered its services, but no attempt has been made to press such

Atlanta (Cont'd)

services on the Administrators, leaving to them the determination of when and how the Reserve Bank can be helpful. The Reserve Bank has been cordially received in every instance.

Chicago

The liaison officer is sending a letter to each State Administrator in the District, with the exception of Illinois and Iowa, extending his cooperation in connection with the sale of Defense Savings Bonds. The Illinois Administrator has his office in the Reserve Bank building and is seen daily, while the Iowa Administrator has not as yet been appointed.

A number of conferences have been had with the Illinois Administrator, and the Reserve Bank has supplied him with material and literature to help him in his work, but the status in the case of the other States is that of just "getting acquainted".

St. Louis

The Reserve Bank has written to the State Chairmen and State Administrators, offering its cooperation and asking whether there is anything that can be done by the officers and personnel of the Head Office or its Branches to assist in Defense Savings Bond sales. The liaison officer intends to visit the offices of the Defense Savings Staff of each State in the District in order to promote closer relations, obtain firsthand information as to the work being done, and to coordinate the efforts.

Lists of qualified issuing agents have been furnished to bankers' associations, building and loan associations, and others interested. Material has been furnished to an officer of a local bank who was asked to address an organization on the subject of Defense Savings Bonds. A request has been received for someone to address a convention in St. Louis on the same subject, and a speaker will be supplied. A number of firms have inquired about the pay roll deduction plan, and information in regard thereto has been furnished. A pay roll deduction plan has been instituted for the Reserve Bank's employees.

The American Bankers Association's Defense Savings poster has been reproduced on the cover of the Bank's "Monthly Review of Conditions", and consideration is being given to including in the "Monthly Review" periodic information relative to progress in Defense Savings Bond sales, as well as reproducing additional posters on the cover. The employees' monthly publication, "Four-Four News", has been sprinkled with reminders to buy Defense Bonds.

The weekly "Field Organization News Letter", issued by Defense Savings Staff, has proved very interesting and helpful. These letters are being studied with a view to compiling plans that can be utilized by various organizations.

Minneapolis

The Bank's liaison officer contacted the Chief National Bank Examiner and the superintendents of banks in all States in the District, except Montana, and prevailed upon them to issue letters urging all banks under their supervision to qualify as issuing agents. Every officer of the Reserve Bank lent his support in such cases as banks offered objections and the results were gratifying.

A definite method of procedure has been established to interest employers and employees in a salary deduction plan for the purchase of Defense Savings Bonds, as follows:

1. The liaison officer prevailed upon the Life Underwriters' Association to appoint a permanent committee to handle the solicitation of employers and to follow each case to its conclusion. This committee picked 50 general agents, managers, and top-flight producers who were chosen because of their long experience in contacting the employer class, their perfection in selling, and their trained persistence in accomplishment. The group was invited to a luncheon at the Reserve Bank and was addressed by the Reserve Bank's President, who emphasized the Treasury's edict that there should be no high pressure salesmanship. The head of the Minneapolis Committee also spoke and the Chairman of the life insurance agents' committee presented the details of the plan.

2. The Reserve Bank is holding a series of luncheons to which are invited the heads of all concerns employing a sufficient number of employees to make the salary deduction plan worthwhile. The practical, economic and patriotic background is explained and the salary deduction plan laid before them. Each employer is requested to sign a card designating the man in his organization to whom the salary deduction plan may be presented in detail.

3. The Reserve Bank agrees to prepare letters on firm letterheads for the signature of the president of each company, directing the attention of employees to the desirability of the bonds. The name of each employee is to be typed on a pay roll deduction order card.

The Press indicates full support of the salary deduction plan and has been present at the preliminary luncheons. While the plan is entirely experimental, if the enthusiasm and cooperation to date is any indication of the outcome, it is believed it will have marked success. If successful in Minneapolis, it may be established in other large cities in the District.

Kansas City

Contact has been established with Defense Savings Bond organizations in Colorado, Kansas, Missouri, New Mexico and Oklahoma, and they have been advised of the Reserve Bank's desire and willingness to cooperate with them in

Kansas City (Cont'd)

connection with the Defense Savings Bond Program. No advice of the appointment of State Administrators for Nebraska or Wyoming has been received.

The Bank's liaison officer has been working closely with the local Defense Savings Bond Committee and with similar committees in Colorado and Kansas, and information, supplies and assistance has been furnished as requested. Lists of qualified issuing agents have been furnished weekly to bankers' associations and to others interested. State Bankers' Associations and the State Bank Commissioners are cooperating actively and it is hoped that a more satisfactory showing of State Banks qualified as issuing agents may be reported in the near future.

Dallas

Immediately following the appointment of the Texas State Administrator the Reserve Bank's President contacted him and offered the services of the Bank in carrying on his work. Subsequently, the President attended a meeting of the Dallas Clearing House Association for the purpose of discussing the manner in which the Dallas banks may participate in the sales program and be of assistance to the State Administrator.

The Bank's liaison officer has contacted the State Administrators in all States of the District, except Louisiana, where no appointment has been made. The liaison officer has also contacted an officer of a Dallas Bank who is representing the American Bankers' Association in its efforts to promote Defense Savings Bond sales in Texas.

While the Reserve Bank has tendered its full cooperation to the State Administrators and to the A.B.A. representative, it has not yet been called upon to render any service or to participate actively in the sales program.

San Francisco

The liaison officer is now engaged in compiling the roster of personnel of the various organizations established in the District. It is the intention to maintain charts of each State's organization and personnel of all committees. Inquiry is being made through the proper channels regarding the professional and business antecedents of appointees, as it is believed that the importance personalities play in activities of wide scope make it very desirable to be acquainted with those participating in leadership.

No official notification has been received of appointments of State Chairmen, State Administrators, or Deputy State Administrators for California or Utah.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-889

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1941



Dear Sir:

Our attention has been called to several errors in the addresses of Federal Reserve Bank branches shown on the next to last page of Regulation W.

We have, therefore, carefully checked all the addresses and mimeographed the corrected list. Six copies of this list are enclosed. Should you have occasion to reprint Regulation W or to use the list in any other form, it is highly desirable that this revised list be used.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures 6

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



ADDRESSES OF FEDERAL RESERVE BANKS
AND BRANCHES

HEAD OFFICES

Boston	30 Pearl Street, Boston, Massachusetts
New York	33 Liberty Street, New York, New York
Philadelphia	925 Chestnut Street, Philadelphia, Pennsylvania
Cleveland	East 6th Street and Superior Avenue, Cleveland, Ohio
Richmond	9th and Franklin Streets, Richmond, Virginia
Atlanta	104 Marietta Street, Atlanta, Georgia
Chicago	230 South LaSalle Street, Chicago, Illinois
St. Louis	411 Locust Street, St. Louis, Missouri
Minneapolis	73 South Fifth Street, Minneapolis, Minnesota
Kansas City	10th Street and Grand Avenue, Kansas City, Missouri
Dallas	Wood and Akard Streets, Dallas, Texas
San Francisco	Sacramento and Sansome Streets, San Francisco, California

BRANCHES

Buffalo	270-276 Main Street, Buffalo, New York
Cincinnati	4th and Race Streets, Cincinnati, Ohio
Pittsburgh	Grant Street and Ogle Way, Pittsburgh, Pennsylvania
Baltimore	Calvert and Lexington Streets, Baltimore, Maryland
Charlotte	First National Bank Building, Charlotte, North Carolina
Birmingham	18th Street and 5th Avenue, North, Birmingham, Alabama
Jacksonville	Church and Hogan Streets, Jacksonville, Florida
Nashville	228 Third Avenue, North, Nashville, Tennessee
New Orleans	Carondelet and Common Streets, New Orleans, Louisiana
Detroit	160 Fort Street, West, Detroit, Michigan
Little Rock	121 West 3rd Street, Little Rock, Arkansas
Louisville	5th and Market Streets, Louisville, Kentucky
Memphis	3rd and Jefferson Streets, Memphis, Tennessee
Helena	Park Avenue and Lawrence Street, Helena, Montana
Denver	17th and Arapahoe, Denver, Colorado
Oklahoma City	226 West Third Street, Oklahoma City, Oklahoma
Omaha	1701-5 Dodge Street, Omaha, Nebraska
El Paso	351 Myrtle Avenue, El Paso, Texas
Houston	1301 Texas Avenue, Houston, Texas
San Antonio	Navarro and Villita Streets, San Antonio, Texas
Los Angeles	409 West Olympic Boulevard, Los Angeles, California
Portland	6th and Oak Streets, Portland, Oregon
Salt Lake City	70 East South Temple Street, Salt Lake City, Utah
Seattle	Second Avenue and Spring Street, Seattle, Washington

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers of
Wednesday, September 24, 1941.

September 23, 1941.

As a further step in the Government's program for combating inflation, the Board of Governors of the Federal Reserve System, after consultation with the Secretary of the Treasury, has today increased reserve requirements for member banks to the present statutory limit, effective November 1. This action, unanimously agreed upon, increases reserve requirements by about one-seventh.

The requirements beginning on that date will be: for demand deposits, 26 per cent at central reserve city banks, 20 per cent at reserve city banks, and 14 per cent at country banks; for time deposits, 6 per cent at all classes of member banks. This action will result in a reduction of excess reserves from about \$5.2 billion to about \$4 billion for member banks taken as a whole. At central reserve city banks excess reserves will be reduced approximately from \$2,400,000,000 to \$1,700,000,000; at reserve city banks, from \$1,850,000,000 to \$1,500,000,000, and at country banks from nearly \$1,000,000,000 to \$800,000,000.

The action will leave the banks as a whole with ample funds to meet all bank credit needs of the defense program and all legitimate requirements of their customers. A survey made recently by the Board showed that a large majority of the member banks will be able to meet the increased requirements out of existing excess reserves and all but a few of

- 2 -

the remainder by drawing upon a portion of their deposits with city correspondents.

The Board determined that penalties for deficient reserves prior to December 1, 1941 shall be based upon reserve requirements in effect October 31, 1941.

The following table compares the new requirements with present requirements which have been in effect since April 16, 1938.

Member Bank Reserve Requirements
(Per cent of deposits)

Classes of deposits and banks	: Present : requirements	: New : requirements
On net demand deposits:		
Central reserve city banks	22 $\frac{3}{4}$	26
Reserve city banks	17 $\frac{1}{2}$	20
"Country" banks	12	14
On time deposits:		
All member banks	5	6

STATEMENT FOR THE PRESS

For release in morning newspapers of
Wednesday, September 24, 1941.

September 23, 1941.

In connection with the action taken today by the Board of Governors of the Federal Reserve System to increase reserve requirements, the Secretary of the Treasury and the Chairman of the Board issued the following statement in which the Board of Governors concurs:

"The Treasury and the Board of Governors will continue to watch the economic situation and to cooperate with other agencies of the Government in their efforts, through priorities, allocations, price regulation, and otherwise, to fight inflation. Recommendations on the question of what additional powers, if any, over bank reserves the Board should have during the present emergency and what form these powers should take will be made whenever the Treasury and the Board, after further consultation, determine that such action is necessary to help in combating inflationary developments."

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-892



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 26, 1941

Dear Sir:

In accordance with the practice followed in recent years, a supply of form F.R. 456, revised September 1941 (copy enclosed), is being sent you under separate cover for use in connection with the preparation of member bank operating ratios for 1941. The printing of this work sheet was delayed for a time pending consideration of suggested revisions of the earnings and dividends report form. The only revision that has been decided upon is the addition of a column in which total-year figures are to be reported. This change will reduce the time required to compile the work sheets.

It is requested that, upon completion of the operating ratio tabulations usually made at your Bank, these work sheets be sent to the Board. As in past years the data will be transferred to punched cards, which in turn will be used in making tabulations for publication in the Bulletin and for other purposes. In order that any memorandum ratios used this year may be computed accurately without additional work, particular attention should be paid to the distinction between very small amounts or percentages and absolute zero items (see instructions on reverse side of the form).

To avoid the inconvenience of being without the information shown on the work sheets during the period that it is being recorded on punched cards here, you may want to consider the possibility of having the data reproduced on Recordak film. Such reproduction was employed at the Board's offices this year as a means of keeping readily and permanently available the information shown on the operating ratio forms for 1940, and the process was found to both satisfactory and inexpensive. If your Bank duplicates these forms next year by the Recordak process, you may not care to have the original work sheets returned to you; also, the Banks that have heretofore prepared duplicate forms manually for the Board's use may no longer need to do this and may require fewer blank forms than were used in the past. Consequently,

- 2 -

it will be appreciated if you will advise whether or not you will want the work sheets returned and how many blank forms (if any), in addition to the supply now being sent to you, will be needed.

Very truly yours,



L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-893

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 26, 1941

Dear Sir:

There is enclosed for your information a table showing, among other things, the number and aggregate deposits of State banks admitted to membership in the Federal Reserve System during 1940 and the first eight months of 1941, together with a statement containing excerpts from the bank relations reports submitted by the Federal Reserve Banks for the month of August.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

R-893-a

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. - August 1941		Banks admitted to membership during 1940		Number of nonmember commercial banks with sufficient capital stock to meet the minimum statutory requirements for Federal Reserve membership*				
	Number	Deposits	Number	Deposits	Total Number **	By size of deposits			Number On Par List
						Under \$1 million	\$1 - 10 millions	\$10 millions and over	
Boston	1	1,730	0	0	141	45	87	8	141
New York	31	75,880	8	12,026	224	76	126	21	224
Philadelphia	8	8,920	4	3,777	225	101	108	13	225
Cleveland	11	7,510	25	37,595	475	327	139	6	474
Richmond	9	10,280	18	21,868	394	301	86	7	232
Atlanta	1	730	3	5,298	484	415	65	2	52
Chicago	39	124,180	62	74,483	1,219	1,008	200	10	1,079
St. Louis	12	9,540	21	12,412	664	578	78	3	434
Minneapolis	1	250	9	10,382	420	391	27	0	78
Kansas City	2	640	10	14,197	487	459	28	0	402
Dallas	6***	1,960	24	21,154	282	253	29	0	174
San Francisco	2	830	4	5,125	194	138	37	9	182
Total	123	242,450	****188	218,317	5,209	4,092	1,010	79	3,697

* These figures are as of December 31, 1939, the latest date for which such data have been compiled.

** These totals include, and the distribution by amount of deposits excludes, 28 banks with no deposits or for which deposit figures were not available.

*** Includes one newly organized bank with no deposits.

**** Excludes two banks organized to succeed national banks, one organized to succeed a State member as part of a rehabilitation program, and one organized to succeed a State member whose charter had expired.

R-893-b
September 26, 1941
Not for Publication

EXCERPTS FROM BANK RELATIONS REPORTS
FOR THE MONTH OF AUGUST 1941

BOSTON

Visits were made to 28 banks and two branches located in small agricultural communities in western and central Maine ... The only complaint heard at any bank was that of inability to lend more funds locally.

NEW YORK

Three small banks in Chautauqua County (southwestern corner of New York State) have deposited a total of approximately \$500,000 on time certificates of deposit with banks in various sections of the country, on which interest of from 1 to 2-1/2 per cent is received. These funds are placed only in insured banks and the individual deposits do not exceed \$5,000. One banker mentions that he is allowing these deposits to run off as they mature due to the criticism of the supervisory authorities, but the other bankers remark that they can see no basis for such criticism and will continue this practice.

Oil prices recently advanced 23 cents a barrel to \$2.98, the fifth increase so far this year, and the highest price at which oil has sold since April 30, 1930, when it was \$3 a barrel. These increases in price are said to be necessary in order to spur new development work and increase the production of crude oil to help bolster the East Coast's dwindling petroleum supply. However, effective August 23, Price Administrator Leon Henderson issued an order imposing a schedule of ceiling prices on Pennsylvania crude oils, which set a limit of \$2.75 a barrel on the oil produced in this area, thus cancelling this 23 cents increase.

PHILADELPHIA

In recent years many communities in the Philadelphia suburban area have experienced an unusual growth in population as improved transportation facilities have encouraged new residents to locate here. Because of excellent water transportation facilities, many large industrial organizations have located in the southern part of the county which has as its boundary the Delaware River.

Seven new ship ways are under construction at the yards of the Sun Shipbuilding and Dry Dock Company at Chester and, while the

number of workers employed by this company has been increased from 5,000 to more than 9,000 within the past year, it is estimated that an additional 7,000 men will be given employment by October 1st of this year when the expansion program is expected to be completed.

CLEVELAND

Comment that the terms of Regulation W are less stringent than anticipated is almost universal. Display advertising issued by substantial instalment houses frequently refers to the terms of the regulation as "moderate and sound". The principal merchants appear to welcome the regulation since it "tends to bring the gyp into line". The head of a retail merchants organization of substantial size states that the regulation does not reach one class of instalment seller whose activities should be regulated--the instalment jeweler.

Not one bank in ten apparently has made any effort to keep up with the flood of material which has been sent to them, dealing with the subject of foreign funds control.... We are definitely of the opinion that a statement in as simple terms as it is possible to couch it of even the important things to consider in the determination of whether a person is a "national" of a blocked country or is a "generally licensed national" would be of tremendous help to bankers, and we are contemplating the issuance of a circular along those lines.

RICHMOND

In Maryland all banks visited have taken cognizance of the foreign funds control order. Some have made a thorough check of their accounts, while others intend to do so at an early date.

A number of banks in the northern mixed farming section of Maryland are operating largely as banks of deposit, partly as a result of the character of the population which traditionally abhor or have religious scruples against debt.

More than 20,000,000 pounds of American leaf tobacco has been shipped to England during the past two months.

Boll-weevil infestation in the Carolinas, as well as the cotton South, is the worst this year of any time since 1922. Fighting this pest this year is under difficulties because of the scarcity of spraying machines, since priority makes it difficult to secure these machines. Calcium arsenate, used in the destruction of the weevil, is also difficult to obtain. It seems likely that the crop

estimate of September 1 will be still lower than that of August 1. In many places damage is reported anywhere up to a third of the crop.

North Carolina's 1941 flue-cured tobacco crop was estimated at 469,940,000 pounds on August 1.... Rapid growth and abnormally fast ripening of the crop produced comparatively thin, light-weight leaves, but a good color. A larger proportion of the crop than usual will be of good cigarette quality. Prices have been unusually strong, with the averages for early marketings of poorer tobacco running between 26 cents and 29 cents a pound. It is estimated, however, that it will take \$25 a hundred or more to offset the tremendous decline in weight and the severe loss in quick ripening.

The North Carolina employment situation has been retarded to an unknown extent by the curtailment of the use of silk in hosiery mills. The latest information available, however, indicates that this unemployment will not become serious and that substitute materials can be obtained in a short while.

ATLANTA

Cotton is the principal agricultural crop in northeastern Georgia. From present indications the current crop will average only about 50 to 75 per cent of last year's production. The weather conditions in most sections visited have been unfavorable and the boll weevil has presented the usual problem to cotton growers. Some farmers had better crops because they had poisoned earlier for boll weevil and, too, many of them planted an earlier variety of cotton which matured before the boll weevil did much damage. The price for the current cotton crop is expected to be considerably above that received last year so that despite the shortage of the present crop, the cash return to the farmers may be equal to that of last year.

The peach crop in northeast Georgia was plentiful. However, weather conditions were such that the fruit was ready for market simultaneously with the crops of middle and south Georgia and South Carolina, which condition resulted in an over-supply and low prices. The Surplus Commodity Corporation relieved the situation considerably by entering the market.

The textile mills and associated industries, located throughout the north Georgia area, are reported to be operating on a full time basis.

CHICAGO

Approximately 100,000 copies of Regulation W were mailed to banks, loan companies, newspapers, and firms engaged in the extension of instalment credit.

During August preparations were made to assist the Treasury Department in its census of all foreign owned property subject to jurisdiction of the United States. All banks in the district were notified of the census, and their assistance in disseminating information regarding the necessity of filing reports was sought and is being willingly given. The task of filling these reports (Form TFR-300) is for the large banks of the district a tremendous one, and several of the Chicago banks at least have set up separate departments or formed committees to enable them to complete the job in their own organization. In addition to contacts with the banks, both member and nonmember, constant contact has been maintained with the general public through means of letters, releases to the press, or personal interviews.

Despite the late summer dryness which interfered with a normal sizing of apples, peaches, and pears, Illinois fruit raisers expect a banner production this year.

A special study of milk marketing in the Chicago Market Area, which was made by this Bank, showed that the costs of some essential feeds have risen as much as 44 per cent in the last year. Farm labor costs have also risen sharply in this district. The average paid in addition to board and room for July 1941, was \$55, and the average without board and room was \$78.

ST. LOUIS

In southern Missouri, herds of beef and dairy cattle are being enlarged and improved.... Crops of wheat and oats made satisfactory yields, but in many parts of the section late grain crops and pastures have suffered from a prolonged drought.

In western Tennessee and northern Mississippi the cotton crop has deteriorated in the past month, particularly in the southern part of the section, owing to excessive rainfall and insect damage. Weevil activity is reported to be high in some sections and there are scattered reports of damage from the Iowa corn borer.

MINNEAPOLIS

The wheat crop will be bountiful in northern Montana.... Over 90 per cent of the wheat farmers are members of the AAA allotment plan. Practically all of them expect to borrow on their stored wheat.

Livestock is one of the brightest spots in the economic picture of Montana this fall. The wool clip was sold at 32 to 35 cents

a pound, lambs are being contracted at 9 to 10 cents, calves are selling at \$42 a head and range cows at \$70 a head. Feed is abundant and there is a large reserve of hay on hand. While the livestock population has returned to normal, there is less danger now than in past years of over-production in view of the wide-spread extent of Federal grazing areas where the number of animals on the range is controlled.

The universal opinion among bankers was that people are not taking the war seriously. They are pleased with high prices for farm products, but they cannot conceive of the necessity of making sacrifices or buying defense bonds. A few banks are advertising defense bonds in the form of newspaper ads, and this advertising is having some effect.

Calls were made upon 31 editors of newspapers in western Minnesota. The comment most generally heard was "I like the stuff we get from you because it is brief and to the point and can be fitted in without too much alteration."

KANSAS CITY

Among country banks there is a tendency to say that the instalment credit regulations are unfair to farmers.... The farmer's income is irregular and the provision that as many as four instalments may be skipped is not liberal enough to meet his situation Nearly all city dealers of the better class are 100 per cent for the regulations, and for stronger ones if necessary, but some country dealers who sell almost entirely to farmers maintain that their instalment business will be wrecked.

Water for irrigation in northeastern Colorado has been plentiful throughout the season and all irrigation crops have produced well. The sugar beet crop in the area covered is considered to be of good tonnage and sugar content. The dry land areas have received more moisture and had generally better growing conditions than they have experienced in the past ten or fifteen years.

The general feeling is that prices are too high to feed on a scale comparable to the past few years. Most estimates indicate that there will be about one-third less livestock fed in northeastern Colorado during the coming winter.

DALLAS

Demands for bank credit have been steadily increasing in west central Texas as the result of high livestock prices this year and the

eagerness of many farmers to inaugurate or expand cattle and sheep operations. Most banks are showing a reluctance to increase their loan accounts at this time, fearing a recession in the prevailing high prices of livestock.

SAN FRANCISCO

No report received.

PUBLIC RELATIONS ACTIVITIES OF FEDERAL RESERVE BANKS

August 1941

Federal Reserve Bank	Visits to Banks			Meetings Attended		Addresses Made	
	Member	Nonmember	Total	Number	Attendance	Number	Attendance
Boston	12	16	28	<u>1/</u>	<u>1/</u>	1	40
New York	93	20	113	2	275	0	0
Philadelphia	34	9	43	2	600	2	600
Cleveland	16	12	28	4	260	4	121
Richmond	59	42	101	4	399	0	0
Atlanta	33	21	59	0	0	4	325 ^{2/}
Chicago	7	10	17	0	0	1	110
St. Louis	22	97	119	6	232 ^{2/}	1	116
Minneapolis	44	40	84	3	317	4	219
Kansas City	20	19	39	1	150	0	0
Dallas	28	7	35	1	25	0	0
San Francisco	13	3	16	13	1,501	5	505

1/ Not reported.

2/ Not completely reported.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

124

R-894

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 26, 1941

Dear Sir:

There are enclosed for your information a copy of a letter addressed to Governor Ransom by the President of a Federal Reserve Bank under date of September 17, 1941, a copy of our reply, and a copy of a proposed draft of a letter which might be used in answering requests for advice as to the legality of forms of instalment contracts.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures 3

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

R-894-a

FEDERAL RESERVE BANK OF

September 17, 1941

Mr. Ronald Ransom
Board of Governors of the
Federal Reserve System
Washington, D. C.

Dear Governor Ransom:

Since writing you today, I have again talked with Mr. _____ and his associates in reference to instalment credit.

This procedure, which is developing, is disturbing. Dealers have a form of contract that they have used for a number of years; they may have copied it from someone else or they may have had their own attorney prepare it, it may comply with Regulation W and it may not. In some cases they change the terms so that they think it will comply with Regulation W and then send it in to us; in fact, in some cases their attorneys have done this and asked for our approval. Like all contracts of this character, a large percentage of it is in fine print.

To attempt to pass upon contracts from a legal as well as Regulation W standpoint is an impossible task. (As near as we can estimate there are some 15,000 or more dealers.) We of course are writing a courteous letter in each case explaining why we cannot assume this legal responsibility but, nevertheless, it is creating a bad feeling and I do not know what we can do about it other than what we are doing.

If you have any suggestions please write me.

Yours very truly,

September 26, 1941

Mr. _____, President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This is in response to your letter of September 17, 1941, regarding requests made by various dealers that the Federal Reserve Bank examine forms of instalment contracts submitted by such dealers and advise whether they comply with Regulation W and are otherwise legal.

It is unfortunate that your inability to comply with such requests is creating bad feeling but we agree with you that it is neither feasible nor appropriate for a Federal Reserve Bank to undertake to give such legal advice.

It is noted that you are writing a courteous letter in each case explaining why you cannot assume this responsibility; and it is believed that, if such letters are phrased in such a way as to enable the persons to whom they are addressed to understand clearly why the Federal Reserve Banks cannot comply with such requests, it will tend to reduce any resulting bad feeling to a minimum.

In an effort to be helpful in this connection, a draft of a letter which might be used for this purpose is enclosed for your consideration. It is believed that form letters should not be used for this purpose and that individual letters should be written in each case.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

R-894-c

Dear Mr. _____:

We have received your letter of _____, enclosing a form of instalment contract and requesting our advice as to whether it complies with Regulation W of the Board of Governors of the Federal Reserve System relating to Consumer Credit, and is otherwise legal.

We always desire to be as helpful as possible and wish very much that we could comply with your request. However, the necessity of giving prompt answers to a large number of specific questions arising under Regulation W is taxing the capacity of the staff trained for that work; and it is physically impossible for them to examine every instalment contract which might be submitted and advise whether it conforms to Regulation W. You will realize, of course, that we could not do this for you and refuse to do it for everyone else who requests it.

In the circumstances, we would suggest that you rely upon the advice of your own counsel, who should be able to study your form of contract in the light of Regulation W and the interpretations which have been issued thereunder and advise you not only whether your form of contract complies with the Regulation but also whether it complies with the State law and is otherwise valid and enforceable.

If there is any specific question about which your counsel feels unable to give you definite advice after studying Regulation W and the interpretations thereunder, we shall be glad to endeavor to answer any specific question which you or he may find it necessary to submit to us as promptly as the circumstances will permit.

Very truly yours,

R-895

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release

September 29, 1941

Statement of Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, before the Banking and Currency Committee of the House, September 29, 1941, with reference to the Price Control Bill.

Mr. Chairman and members of the Committee: In appearing here today at the Committee's request, I should like to make a brief statement of my personal views as to the part that price control has to play in any adequate Government program for dealing with price inflation. I have not had an opportunity to prepare a comprehensive statement covering the many aspects of this important subject but on various occasions I have undertaken to set forth my own views on the problems of combating inflation as well as deflation, and this Committee, both in these hearings and in the past, has already covered so much of the ground that it is not necessary to take your time in traversing it again. Such aspects of the subject as you may wish to have me discuss can be brought out in your questions.

It is desirable from my standpoint, however, to outline briefly the framework as I see it, into which the pending bill fits as a part of a broad, integrated Government program to deal with inflation. You are all aware that price inflation threatens to develop with accelerating rapidity because our vast defense expenditures are putting buying power into the hands of the public at a faster rate than goods can be turned out to satisfy both the increasing civilian demand as well as our expanding defense requirements. We know that this condition is bound to become increasingly acute as more and more of our productive capacity is devoted, as it must be, to supplying defense rather than civilian requirements. There is no need to remind this Committee of the consequences of an uncontrolled inflation. You are fully cognizant of its ruinous

effects upon the entire economy and particularly upon labor, the farmers and the great mass of our working population. Nor is it necessary to emphasize to you that the first line of attack upon the problem is to increase production to the greatest possible extent.

That is why it is so urgent, in the national interest, that we utilize all of our productive machinery, the smallest as well as the largest units, and all of our available man power in producing continuously first for defense, because our national safety depends upon it, and secondarily for civilian needs. For this reason industrial strife, and the attempt to settle disputes by the methods of lockouts and strikes, are intolerable in times of national peril.

Yet we know that successful as we may be in using our productive resources fully, acute shortages of civilian goods are inevitable in more and more lines. We have already encountered scarcities of many basic metals and other strategic materials, and we have not yet begun to feel the pinch. Beyond a point we cannot produce more and more goods both for defense and for civilian consumption. Our national security requires that our civilian population forego at this time many goods that, however desirable, are not essential. Fortunately our abundance of the necessities of life is so great that our people are not obliged, like our Allies and their enemies, to go on food and clothing rations. Nevertheless we have got to get along with fewer durable consumers' goods that use materials essential for defense. We have got to realize, far more than we do as yet, that we must be prepared to postpone buying of

civilian goods which cannot be produced in sufficient quantity at this time to meet the rising demand. When the emergency is over and production can again be turned to supplying civilian wants the deferred demand will be an important factor in offsetting a post-defense slump.

For the present, however, the most important aim of public policy on the economic front, next to procuring maximum production, is to dampen civilian demand for goods which cannot be produced in sufficient quantities. We cannot leave this to chance or to voluntary action on the part of the buying public. The inescapable result of letting the situation take care of itself would be a price inflation of staggering proportions and demoralizing effects upon our economic system. The situation can only be dealt with effectively by a coordinated and comprehensive series of Government measures of which the bill you are considering is an essential, integral part.

The means available to the Government for dealing with the problem fall into two broad categories--general over-all or broad functional controls on the one hand and selective controls on the other. Taxation, fiscal and monetary policy belong in the category of over-all, functional controls. Price-fixing, priorities, regulation of consumer credit, are necessary, supplemental controls that are selective in character.

It has been my view for a good many years that in formulating and carrying out Government economic policy to deal with either inflation or deflation we should rely first of all upon the broad, over-all functional controls. They operate on the economy as a whole, indirectly rather than directly; they are in keeping with democratic processes and

give private enterprise and initiative the fullest possible scope consistent with the general welfare; they serve to create a climate favorable or unfavorable, as conditions may require, for expansion or contraction. They are our main reliance now, and I believe properly so. But they are not enough. They need to be supplemented by such direct measures as are necessary to reach conditions arising from shortages. The pending bill is the most important measure of direct control, and should in my judgment be sufficiently broad and flexible to allow for wide administrative discretion in dealing with future contingencies.

The point that I desire to emphasize, however, is that the economic area to which we must apply direct controls depends in large part upon how promptly and effectively we use the functional measures to draw off buying power--and at the same time help pay for defense. If Congress fails to enact adequate tax legislation, particularly corporate and individual income taxes, as well as excise taxes on scarcity goods; if we leave the credit doors wide open, so that bank credit and consumer credit continue to expand, if our people indulge in buying sprees instead of conserving their funds--and there is no better way than by subscribing to defense bonds--then the only alternative is to widen continually the area to which direct controls must be applied if we are to avoid a ruinous inflation. Such controls as are proposed in the bill before you are vitally necessary to reach scarcity conditions, if prices of civilian goods and the costs of defense are to be held within reasonable bounds.

I am fully in accord with the objectives of taxation policy which the Secretary of the Treasury declared when he presented his tax

program to Congress; I believe that the Government program for dealing with inflation approaches the problem from the right end--though we have done too little too late so far. I do not believe that we should approach the problem from the other end by blanketing the economy with direct controls, first, and applying over-all, functional controls secondarily. I see no good reason for attempting the impossible task of repealing the law of supply and demand altogether, of undertaking to police not merely those prices which have to be policed because of scarcities but all prices, the bulk of which do not need to be policed. I would leave the problem of how far price control should go in the hands of one administrator, giving him ample jurisdiction and discretion.

Whether or not you include within the terms of this bill a declaration of policy or discretion to deal with labor and farm prices, the fact is that you cannot leave wages and salaries which are the main factor in prices to rise indiscriminately and be realistic about preventing inflation. You cannot, in my judgment, realistically put a high-level floor under farm prices and no ceiling.

The bill before you should be promptly enacted.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

134

R-896

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 30, 1941

Dear Sir:

Enclosed for your consideration and comment are several copies of a tentative draft of a Registration Statement as provided for in section 3(c) of Regulation W. This draft has been prepared by the staff but has not yet been acted on by the Board.

After Registration Statements have been filed by all registrants with the Federal Reserve Banks, it is contemplated that some system of regular periodic reports, to be filed by specified classes of registrants, will be instituted. It is not intended, therefore, that the Registration Statement be the sole source of information to be obtained from registrants. The statement calls for nothing more than basic data which will serve, among other purposes, as a "benchmark" for future reporting.

It will be appreciated if you will consider this tentative draft at your early convenience and let the Board have the benefit of any suggestions within a week after receipt of this letter, using your own judgment as to whether to consult persons outside your Bank.

Copies of the enclosed draft are also being submitted for comments and suggestions to the various interested Government agencies and to the principal national trade associations whose members will have to register.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Form F. R. _____

Date _____

REGISTRATION STATEMENT

This statement is filed with the Federal Reserve Bank of the District in which the main office of the undersigned is located for the purpose of becoming licensed as a Registrant in accordance with the provisions of Regulation W issued by the Board of Governors pursuant to Executive Order No. 8843 issued by the President of the United States relating to consumer credit.

(Name of Registrant (print or type))

(Street Address)

(City)

(State)

(Before answering questions please consult the instructions on the reverse side of this form.)

I. Indicate by check mark whether Registrant is an individual _____, partnership _____, corporation _____, or other _____.

II. General nature of business

(Place a check mark by the principal business of Registrant)

A. Financial business

- _____ 1. Sales finance company
- _____ 2. Commercial bank or trust company
- _____ 3. Industrial bank or loan company
- _____ 4. Personal finance or small loan company
- _____ 5. Credit union
- _____ 6. Other financial business (specify) _____

B. Dealer, contractor, or other business

- _____ 7. Department or general store
- _____ 8. Automobile dealer
- _____ 9. Furniture or house furnishings store
- _____ 10. Household appliance or radio store
- _____ 11. Electric or gas utility company
- _____ 12. Hardware or automotive accessory store
- _____ 13. Dealer or contractor in heating, plumbing or airconditioning equipment
- _____ 14. Dealer or contractor in other construction or repair materials
- _____ 15. Manufacturer (specify type of product) _____
- _____ 16. Other (specify) _____

III. Credit outstanding and sales

A. Registrants in classes 1 to 6 please report the unpaid balance of retail and personal instalment paper held on September 1, 1941

- 1. Retail instalment paper purchased. . . . \$ _____
- 2. Retail instalment sale credit extended directly \$ _____
- 3. Instalment cash loans. . \$ _____

B. Registrants in classes 7 to 16 please report the following data relating to their retail sales:

- 4. Sales, 12 months ending August 31, 1941. . . . \$ _____
- 5. Of the sales reported in item 4, approximately _____ per cent was for cash, _____ per cent on charge account or open book credit, and _____ per cent on instalment credit.
- 6. Unpaid balance of retail instalment credit held September 1, 1941. . . . \$ _____
- 7. Unpaid balance of other retail credit (open accounts, etc.) held September 1, 1941. . . . \$ _____

IV. Did you have any branches on September 1, 1941? _____ If so, how many? _____
(Please attach a list of branches and their addresses, unless the Registrant is a bank insured by F.D.I.C.)

V. Is Registrant controlled by any other company? _____ If so, please fill in:

(Name of controlling company)

(Address)

(City)

(State)

(Type of business)

(Please print or type here the name and official title of the person whose signature appears at the right)

(Authorized signature)

INSTRUCTIONS FOR REGISTRATION STATEMENT

(Numbered to correspond with questions on Registration Statement)

Name of Registrant--In case the trade name of Registrant is different from the legal name of proprietor, please give both names.

III.--Instalment credit is credit for which the agreed repayment is in two or more parts. Instalment sales are sales made on instalment credit.

Where the Registrant has no amount to report write "none". Businesses which were not in operation on September 1, 1941, please answer question III for such date as is convenient, clearly indicating the date used. A business concern organized to succeed another concern doing similar business should report for the concern succeeded, if possible.

III-A.--Retail instalment credit (items 1 and 2) should include the unpaid balances of all instalment credits arising from the retail sale of and secured by articles, whether or not listed in Regulation W, such as automobiles, trucks, household appliances, furniture, clothing, jewelry, etc., and it should include loans for building repair or modernization (whether or not insured under FHA Title I and whether or not secured). Any such retail instalment paper purchased from or rediscounted for dealers or others should be reported in item III-A-1 and loans made directly to consumers for the purchase of and secured by such articles should be reported in III-A-2. Do not include any loans made to dealers and finance companies on their own promissory notes, even if secured by the pledge of instalment paper.

Personal instalment cash loans should include the unpaid balances of all secured and unsecured loans which were made to individuals and used for such purposes as consolidation of debts, medical attention, general personal expenditures, etc. (but do not include any loans reported in item III-A-2).

Any hypothecated payments or deposits which are for the purpose of retiring loans should be deducted before reporting the unpaid balances of such loans.

III-B-4.--Give net retail sales figure (gross sales less returns and discounts), but do not deduct trade-ins. A store should include sales of leased departments. A Registrant which is engaged in manufacturing or other business should report only the sales which it makes at retail. An electric or gas utility company should exclude sales of electricity or gas and report only its other retail sales.

A concern which was in business on September 1 but was not in operation throughout the 12 months ending August 31, 1941, should report sales for only that part of the period for which it operated, indicating clearly the length of such period.

III-B-5.--Do not include as cash sales the down-payment on instalment sales. Sales on open accounts should represent weekly, end-of-month or other open credit sales. On instalment sales include the down-payment (whether cash or trade-in) as well as the amount deferred. Include total instalment sales regardless of whether the paper is discounted or sold or held.

III-B-6 and 7.--Retail instalment paper should represent the unpaid balances of all instalment receivables arising from retail sales by the Registrant, including sales of automobiles, trucks, household appliances, furniture, clothing, jewelry, building repair and modernization (whether or not insured under FHA Title I), etc.

Retail instalment paper reported by a Registrant should include such paper even if pledged as security for loans to the Registrant but should not include paper sold to a bank, finance company, or other financial business with or without recourse. "Other" retail credit should be reported similarly. In case a Registrant, in addition to holding receivables arising out of its own retail sales (reportable against items 6 and 7 in group III-B), also holds receivables which were purchased or which arose from lending by the Registrant, the receivables of the latter types should be reported against the appropriate items in group III-A. (Some Registrants--such as some manufacturers or public utility companies--may have no retail sales or retail credit to report under group III-B but should report their purchased paper or loans under group III-A.)

In case the Registrant is unable to determine exactly, without undue inconvenience or expense, the division of its receivables between instalment and open book credit, it may be estimated.

V.--For the purpose of this registration statement a Registrant is "controlled by any other company" if 50 per cent or more of its stock is owned or controlled by the other company.

Authorized Signature--This report may be signed by any official ordinarily authorized to sign statements for the Registrant.

NOTE--Section 3(d) of Regulation W provides in part as follows:

"The license of any Registrant may, after reasonable notice and opportunity for hearing, be suspended by the Board, either in its entirety or as to particular activities or particular offices or for specified periods, on any of the following grounds:

- (1) Any material misstatement or omission willfully or negligently made in the registration statement,"



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

137

R-897

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 3, 1941

Dear Sir:

There is enclosed for your information a copy of a decision (B-19319) rendered by the Comptroller General of the United States to the Federal Works Administrator under date of August 9, 1941, to the effect that the owner of an insurance agency not regularly engaged in the business of financing may not be recognized as a "financing institution" within the purview of the Assignment of Claims Act of 1940. This decision refers to an earlier decision by the Comptroller General (20 Comp. Gen. 415) which was enclosed in a letter addressed to you under date of February 15, 1941 (R-784).

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

B-19319

R-897-a

COMPTROLLER GENERAL OF THE UNITED STATES

Washington

August 9, 1941

The Federal Works Administrator,
Federal Works Agency.

My dear Mr. Carmody:

I have your letter of July 30, 1941, as follows:

"Fred M. Garrett, of Louisville, Kentucky, has filed Notice of Assignment with the Public Buildings Administration, of this Agency, of all moneys due or to become due under Contract No. WA2pb-1253, dated May 17, 1941, between the Lockwood Company, Inc., of Louisville, Kentucky, and the Public Buildings Administration, for interior painting and miscellaneous repairs to the Versailles, Kentucky, Post Office.

"Upon receipt of the Notice of Assignment, the Public Buildings Administration requested Mr. Garrett to furnish evidence to show that he is a 'financing institution' within the meaning of the term as used in the Assignment of Claims Act of 1940.

"By letter of July 19th, Mr. Garrett addressed the following communication to the Public Buildings Administration, signed (under oath) 'Garrett Insurance Agency, by Fred M. Garrett, Owner':

"I have your letter of January 15th in reference to an assignment to a financing institution and you have requested me to clarify why Fred M. Garrett would qualify as a financial institution.

"Fred M. Garrett is the sole owner of an insurance agency in Louisville and any insurance agency in Louisville that expects to continue in business is forced to be a financing institution by the fact that practically all of the banks, building and loan and other financing institutions are actively engaged in the insurance business and coerce insurance from people borrowing money. This applies to National Banks, State Banks and building and loan associations; and, as a result, Fred M. Garrett, as an individual, extends the time of payment, accepts notes, makes advances to contractors and does other business of the normal financial institutions in order to protect his insurance business. I have already advanced \$1000.00 on this Versailles, Ky., contract.'

"Your decision is requested as to whether Mr. Garrett may be recognized as a 'financing institution' within the purview of the Assignment of Claims Act and payments under the said contract made to him accordingly."

In so far as here pertinent, the Assignment of Claims Act of 1940, 54 Stat. 1029, provides:

"That sections 3477 and 3737 of the Revised Statutes be amended by adding at the end of each such section the following new paragraph:

"The provisions of the preceding paragraph shall not apply in any case in which the moneys due or to become due from the United States or from any agency or department thereof, under a contract providing for payments aggregating \$1,000 or more, are assigned to a bank, trust company, or other financing institution, including any Federal lending agency: * * *"

Even though it be assumed that an individually owned business may, in a proper case, qualify as a "financing institution" within the meaning of the Assignment of Claims Act of 1940, it would appear that Mr. Garrett's financing activities are only such as are incidental to the carrying on of his business as the owner of an insurance agency; and that he is not regularly engaged in the business of financing, apart from such credit as may be extended by him in connection with his principal business. Compare 20 Comp. Gen. 415. Obviously, a business does not become a "financing institution" merely by reason of the extension of credit to those with whom it deals in the course of its primary business activities.

Accordingly, it does not appear upon the present record that Mr. Garrett may be recognized as a "financing institution" within the purview of the Assignment of Claims Act of 1940.

Respectfully,

(Signed) Lindsay C. Warren
Comptroller General
of the United States.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 4, 1941

Dear Sir:

For your information, I am enclosing a copy of my letter dated September 27 to Mr. Floyd Odlum, Director, Division of Contract Distribution, Office of Production Management with respect to the removal of offices of the Division of Contract Distribution from the Federal Reserve Bank buildings, and a copy of Mr. Odlum's reply of October 2, 1941.

In view of the request contained in the last paragraph of Mr. Odlum's letter, I think we should continue, for the immediate present, to serve the Division of Contract Distribution in the same manner as we have served the Defense Contract Service. However, I hope to be able to arrange a meeting with Mr. Odlum, Chairman Eccles, the Presidents of at least two or three Banks and myself within the next week for the purpose of going over this whole problem with Mr. Odlum and arriving at some definite solution of it.

Very truly yours,

A handwritten signature in cursive script that reads "Ernest G. Draper".

Ernest G. Draper.

Enclosures 2

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
Washington

R-898a

September 27, 1941

Honorable Floyd S. Odlum,
Director, Division of Contract Distribution,
Office of Production Management,
Social Security Building,
Washington, D. C.

My dear Mr. Odlum:

As the member of the Board who has been acting as liaison officer between the former Defense Contract Service and our Board, I have just read with particular interest a newspaper account of your press conference held on Friday, September 26, from which I take it that you feel that the newly established Division of Contract Distribution would function more effectively if the offices of the division were not continued in the various Federal Reserve Bank buildings.

As you know, the Defense Contract Service was established at the Federal Reserve Banks upon the request of the National Defense Advisory Commission and since the Office of Production Management was established that service has been continued in accordance with its wishes. This has been in accordance with the policy of the Federal Reserve System to cooperate in every way possible in furthering the defense program, and you may be sure that we are anxious to cooperate with you in every way that you may desire in this situation.

If the understanding conveyed by your press statement is correct that "present offices in Federal Reserve Bank buildings will be removed to other locations", we will advise the Presidents of such of the Federal Reserve Banks as are now providing office accommodations for this service and request them to give you every possible assistance in facilitating the establishment of your offices at new locations. I would appreciate it if you will give me some definite word in this matter as soon as possible.

With best wishes to you, believe me,

Yours sincerely,

(Signed) E. G. Draper

E. G. Draper.

OFFICE OF PRODUCTION MANAGEMENT
Social Security Building
Washington, D. C.

R-898b

142

Office of
Floyd B. Odlum, Director
Division of Contract Distribution

October 2, 1941

Honorable Ernest G. Draper
Member of the Board
Federal Reserve System
Washington, D. C.

Dear Governor Draper:

This is in reply to your letter of September 27 about location of the field offices of the Division of Contract Distribution.

For operational purposes we plan to have our field organization set up on State lines. We will have one main office for each State and as many subordinate offices as the industry requirements of that State make advisable. We expect to group these States according to Federal Reserve Districts so that the financial part of this program can be worked in harmony with the Federal Reserve Banks and so that the Federal Reserve Banks will know what is going on generally when some problem comes up to them from a financial standpoint. All of the field offices will be divided into four or five groups for intermediate supervision and the whole thing will be decentralized as much as possible.

We have no present intention of moving at an early date the present offices. There will be some of them moved where criticism has been directed to the location from small businessmen, and maybe as time goes on we will find it advisable from the operating standpoint to move most if not all of them, but we want to concentrate on the problem of new offices before we seriously consider any changes with respect to present offices. We may have from 100 to 200 offices before we get through.

Furthermore, we would like to work out some arrangements with Federal Reserve Banks whereby they will in effect act as our paymasters for all of the offices just as they have been doing in the past.

When this whole program has become a little more clarified, I will sit down with you and discuss details and relationships between the Federal Reserve System and the Division of Contract Distribution. In the meantime, I do hope that you can carry on just as you have been carrying on.

Sincerely yours,

(Signed) F. B. Odlum

Floyd B. Odlum, Director,
Division of Contract Distribution.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

143

R-899

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 4, 1941

Dear Sir:

The Federal Reserve Bank of Cleveland advises, under date of October 1, 1941, that the address of its Pittsburgh Branch should be changed from Grant Street and Ogle Way to 717 Grant Street. This address supersedes that contained in the list of addresses of the Federal Reserve Banks and branches forwarded to you with our letter R-889 dated September 23, 1941.

It will be appreciated if you will have the change noted on your records.

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-900

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 7, 1941

Dear Sir:

Referring to the Board's letter R-765 of January 11, 1941, the following change should be made in the list of nonmember banks that have in force agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934:

Deletion

New York

Kenmore	State Bank of Kenmore (Admitted to Federal Reserve membership on September 11, 1941)
---------	--

The last previous change in this list was given in the Board's letter of September 5, 1941 (R-877).

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-901

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 11, 1941



Dear Sir:

The question has again been raised whether it is worth while for the Board to continue compiling excerpts from the monthly Bank Relations Reports and also whether it is worth while for the Reserve Banks to continue their reports, as requested in the Board's letter of August 25, 1936 (X-9680), -- especially at a time like the present when the Banks and the Board are busy with other duties imposed by a national emergency. The Board doubts whether the Banks' reports and the Board's mimeographed excerpts are worth the expense that their preparation and distribution entails: however, before reaching a decision on the question, the Board would like to have your views regarding their value to you and your Directors.

In the event that you favor discontinuing the Bank Relations Reports, the Board would also like to know whether you think it worth while for the Banks to continue reporting the number of visits made each month to member and nonmember banks and the number of meetings attended by members of the Banks' staffs, and for the Board to compile and circulate these reports in tabular form, together with a summary table showing the progress made in increasing membership in the System.

In raising this question the Board implies no relaxation of interest in the cultivation of good public relations, and, even though it be decided that the regular reports now being submitted should be discontinued, the Board would be glad to receive advice from time to time regarding new activities or interesting developments in this field.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning newspapers
of Monday, October 13

October 11, 1941

About a year ago, the National Defense Advisory Commission established a small business activities unit and requested the Board of Governors to act as its operating agent in assisting the smaller business enterprises in obtaining defense contracts. The Board of Governors, in accordance with this request, designated one of its members to have charge of this work. Field offices of the unit were promptly established at the Federal Reserve Banks and at their branches. Some months later, the functions of this unit were transferred to the Defense Contract Service of the Office of Production Management. The Defense Contract Service requested the Federal Reserve Banks to continue their cooperation in the field activities of this service. The Federal Reserve regional plan of organization functioned in this way until the President's Executive Order of September 4, 1941 abolished the Defense Contract Service and established in its place the Division of Contract Distribution.

The Division of Contract Distribution has adopted a plan of organization on a greatly expanded basis for the establishment of offices at new and additional locations in every State and the managers of these offices are to report directly to Washington. Therefore, the offices maintained by the former Defense Contract Service at the Federal

Reserve Banks and their branches are to be discontinued as soon as the new arrangements of the Division of Contract Distribution can be put into effect.

The Federal Reserve Banks will continue, through their own officers who have been designated for this purpose at their head offices and branches, to furnish advice and assistance to small business enterprises in obtaining necessary financing arrangements through their local banks wherever possible, or when necessary, through other lending agencies, including the Federal Reserve Banks and the Reconstruction Finance Corporation.

The Federal Reserve officers will also advise with the field officers of the Division of Contract Distribution and will continue to cooperate with the procurement officers of the military services in regard to financial and credit information which they may desire.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-903



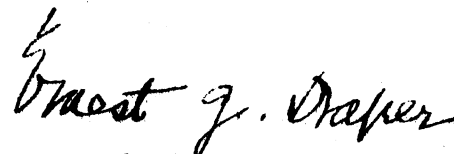
ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 11, 1941

Dear Sir:

There is enclosed for your information a copy of a letter written today to Mr. Floyd B. Odum, Director of the Division of Contract Distribution, in which the Board requests him to make arrangements as promptly as practicable for the payment by the Division of Contract Distribution of all salaries and other expenses of the field offices now paid by the Federal Reserve Banks and their branches on a reimbursable basis. There is also enclosed a copy of a statement which the Board will give to the Press on Monday, October 13, 1941, with respect to this matter.

Very truly yours,


Ernest G. Draper,

Enclosures 2

October 11, 1941

Mr. Floyd B. Odlum, Director,
Division of Contract Distribution,
Office of Production Management,
Social Security Building,
Washington, D. C.

Dear Mr. Odlum:

During our discussions last Thursday afternoon of the program of expansion of the Division of Contract Distribution, Chairman Eccles reviewed the origin and development of the relationship of Federal Reserve Banks to the Defense Contract Service. As you were advised, the arrangements which have been in effect grew out of the request that had been made by the National Defense Advisory Commission on October 25, 1940, and during the formative stage of the Defense Contract Service the Federal Reserve Banks, with their existing organizations at 12 head offices and 24 branch cities, were in a position to perform, and did perform valuable services for the Defense Contract Service in the establishment and maintenance of its field organizations. In view of the close association of the two organizations and the small amount of funds which had been made available to the Defense Contract Service, the Federal Reserve Banks relieved the Defense Contract Service of many of the details connected with the setting up and operation of its field offices. They furnished or assisted in the selection of personnel; they provided office space, where available; and they acted as paymasters for it; in addition the Board and the Federal Reserve Banks incurred substantial expense in their liaison capacity as clearing houses for information and advice to prospective contractors and to the procurement officers of the military services.

This situation has now undergone a very material change because of the replacement of the Defense Contract Service by the Division of Contract Distribution and the plans which you have outlined for a greatly expanded and enlarged type of organization. You have stated that the operating offices now in the Federal Reserve Bank buildings are to be moved as soon as practicable to other locations; that there will be at least one office, and probably several offices, in each

Mr. Floyd B. Odium

- 2 -

State; that each office will be in charge of a Manager or Supervisor, who will report directly to Washington, and that while these offices may be grouped roughly on a Federal Reserve District basis for administrative purposes, the supervision of this arrangement will be in the hands of representatives of your office operating out of Washington.

It thus becomes clear that there is no occasion for the Federal Reserve Banks to participate in matters of organization or administration of the new set-up and consequently they should not handle the payrolls or other expenses of the new organization. In other words, the relations of the Federal Reserve Banks to the new organization should be on the same basis as in the case of any other Governmental agency.

It was therefore understood from our discussion that all arrangements for your new field organization will be made by your office and that all expenses will be paid by your organization.

The Federal Reserve Banks, of course, will be glad to be of every possible assistance in expediting the accomplishment of your reorganization plans.

The Federal Reserve Banks will also continue to render every service desired in the way of advice to your organization, to prospective contractors, and to the procurement officers of the military services in regard to matters of financing and credit information connected with the defense program. To this end there will continue to be at each Federal Reserve Bank and Branch a designated officer with whom contacts may be made for this purpose. In this connection, it was understood that you will keep the Board of Governors and the Federal Reserve Banks advised as to the development of your plans in so far as they concern the Federal Reserve Banks and, particularly, as to the locations of your new field offices and as to the names of the officers in charge of them.

A copy of this letter is being sent to the President of each Federal Reserve Bank for the guidance of his organization in its future relations with the Division of Contract Distribution.

Very truly yours,

(Signed) E. G. Draper.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-904

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 14, 1941.



Dear Sir:

We expect to send to you by wire, for your suggestions, a tentative draft of amendment No. 2 to Regulation W.

The draft of amendment will provide for a "Statement of Borrower", the form thereof to be prescribed by the Board, and several copies of a tentative draft of the statement are being sent to you with this letter so that they will be in your hands when the draft of the amendment is received.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a large initial "L" and "P".

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

152

R-905

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 16, 1941

Dear Sir:

There is enclosed for your information a copy of a letter addressed to Chairman Eccles by the Attorney General of the United States under date of October 7, 1941, advising that the Council of State Governments and the Governors' Conference Committee has offered to assist the Federal Government in securing State legislation or administrative action which will be helpful to the national defense effort or in advising State officials concerning legislative or administrative proposals which might be in conflict with the national defense program.

The Attorney General requests advice as to any measures in connection with the defense activities of the Federal Reserve System which we can foresee will require State action, with as detailed a description of such measures as is practicable at this time.

In order that a suitable and prompt reply may be made to the Attorney General, it will be appreciated if you will advise the Board at your early convenience of any problems arising in your district in connection with the defense program which might be alleviated by State legislation or administrative action on the part of the State authorities.

In this connection, it might be helpful if you would request your Counsel to review the laws of the States in your district regarding assignments of accounts receivable, trust receipts, and similar subjects, with a view of ascertaining whether it is possible to suggest any State legislation which would facilitate the financing of subcontractors having subcontracts arising out of the defense program.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Office of the Attorney General
Washington, D. C.

October 7, 1941

Honorable Marriner S. Eccles,
Chairman, Federal Reserve System,
Washington, D. C.

My dear Mr. Chairman:

An offer to assist the Federal Government in securing state legislative or administrative action, which will be helpful to the national defense effort, or in advising state officials concerning legislative or administrative proposals which might be in conflict with the national defense program, has been made by the Council of State Governments and the Governors' Conference Committee. To be able to assist in such matters, it will be necessary for these organizations, as soon as possible, to know the nature and extent of the problems likely to arise and it has been suggested, with the approval of the Office of Civilian Defense, that this Department make a survey in this field at this time. After this survey has been made, the Council of State Governments and the Governors' Conference Committee will work with the different Federal agencies concerned with the proposals with such assistance as the Department of Justice can furnish.

The Council of State Governments, as you know, embraces the Governors' Conference, the State Legislators' Association and the National Association of Attorneys-General. This organization has cooperated effectively with the Department of Justice and with other defense organizations and agencies during the past two years.

It has occurred to me that this service might be used to advantage in such fields as defense housing, conditions surrounding cantonments, the health and welfare of individuals in defense areas and in other instances where support of, or caution against, state action would aid the national defense program. Preparations made at this time should be helpful in getting ready for the coming state legislative sessions. It is my understanding that seven states will hold regular sessions, and in all probability some six or seven other states will hold special sessions in 1942.

Hence, I shall appreciate it if you will advise me of any measures in connection with the national defense activity of your agency, which you can foresee will require state action with as detailed a description of such measures as is practicable at this time.

My purpose in making this survey is to inform you of the existence of this offer of assistance and to facilitate your using it if you desire to do so. Of course, I do not desire to interfere in any of the activities of your agency or with any contacts you may have in connection with state matters. Furthermore, you will understand, I am sure, that it will be impossible for me or for this Department to pass upon and approve or disapprove the various suggestions which may be made by the different federal agencies. However, I will be glad to cooperate with you and to render you any assistance I can. To assist me in this matter, I have asked Mr. Lawrence M. C. Smith, Chief of the Special Defense Unit of this Department, to hold himself available to help in this matter.

Sincerely yours,

(Signed) Francis Biddle

Attorney General



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

155

R-906

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1941

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of September 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

A handwritten signature in cursive script, appearing to read "O. E. Foulk".

O. E. Foulk,
Fiscal Agent.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF SEPTEMBER 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	28,579	380	28,959	\$ 424.84	\$ 302.73	\$ 122.11
New York	72,393	-	72,393	1,062.03	1,179.97	117.94(a)
Philadelphia	23,305	380	23,685	347.47	253.84	93.63
Cleveland	44,573	381	44,954	659.49	346.48	313.01
Richmond	55,001	380	55,381	812.46	350.39	462.07
Atlanta	41,789	380	42,169	618.63	243.00	375.63
Chicago	65,812	417	66,229	971.60	1,376.09	404.49(b)
St. Louis	50,631	380	51,011	748.35	253.01	495.34
Minneapolis	21,063	380	21,443	314.58	205.51	109.07
Kansas City	44,491	380	44,871	558.27	274.30	383.97
Dallas	41,824	467	42,291	620.42	328.77	291.65
San Francisco	60,934	380	61,314	899.50	536.92	362.58
Board of Governors	621,799	-	621,799	9,122.01	11,608.64	-
Total	1,172,194	4,305	1,176,499	\$17,259.65	\$17,259.65	\$3,009.06 117.94(a) 404.49(b) \$2,486.63

- (1) Based on cost per word (\$.014670348) for business handled during the month.
- (2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,174.52) and wire rental (\$10,820.41) less amount (\$386.29) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury and Reconstruction Finance Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.
- (a) Credit--reimbursable to New York.
- (b) Credit--reimbursable to Chicago.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Monday, October 20, 1941

The following summary of general business and financial conditions in the United States, based upon statistics for September and the first half of October, will appear in the November issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial activity continued at a high rate in September and the first half of October. Further advances in the output of defense products were accompanied by curtailment in some lines of civilian goods, particularly automobiles, rubber, and silk. Prices of industrial products increased further but agricultural prices declined after the middle of September, and on October 16 dropped sharply in response to international developments.

Production

Industrial output increased by about the usual seasonal amount in September and the Board's adjusted index remained at 160 per cent of the 1935-1939 average, the same as in July and August. Continued increases in activity were reported in the machinery, aircraft, and ship-building industries. At steel mills activity in September and the first half of October was maintained at about 97 per cent of capacity. Output and deliveries of nonferrous metals likewise remained at about capacity levels, while lumber production declined somewhat from the high August

rate. Automobile production increased less than seasonally in September, following the changeover to new models, and, according to preliminary estimates, output in September was considerably below the maximum quota that had been authorized by the Government.

In the textile industry activity declined somewhat in September, reflecting mainly a further sharp reduction at silk mills. Activity at wool mills rose to a new high level, while at cotton mills there was little change from a rate slightly below the peak reached last May. Shoe production continued in large volume, and output of manufactured food products was maintained near the peak August level. Output of chemicals likewise continued at earlier high rates, but at rubber plants activity was considerably below the level of last summer owing to curtailment programs ordered by the Government.

Coal production, which during the summer months had been unusually large, increased less than seasonally in September, owing in part to temporary work stoppages at some bituminous and anthracite mines. Crude petroleum production advanced to record levels in September and the first half of October, and output of metals and shipments of iron ore down the Lakes continued at about capacity.

Value of construction contract awards declined in September, according to figures of the F. W. Dodge Corporation, reflecting chiefly decreases in awards for public projects which had been exceptionally large in August. Awards for private residential building also declined, while contracts for other private work increased somewhat further.

Total awards in September, as in August, were 80 per cent larger than in the corresponding period last year. This higher level reflected mainly a greater amount of public construction, which was nearly three times as large as a year ago, compared with an increase of about 10 per cent for private construction.

On October 9, the Supply Priorities and Allocations Board announced that, effective immediately, no public or private construction projects which use critical materials could be started during the emergency unless these projects were either necessary for direct national defense or essential to the health and safety of the nation.

Distribution

Distribution of general merchandise showed less than the customary seasonal rise in September, following an unusually large volume of sales in August. During the past three months sales have been larger than in the corresponding period of any previous year. In the first half of October sales at department stores declined from the peak reached in late September when there were considerable consumer purchases, particularly of articles subject to higher taxes on October 1.

Loadings of revenue freight in September increased less than seasonally, particularly those of miscellaneous freight, which have been high in recent months, and loadings of coal, which were curtailed during part of the month by work stoppages at some mines. Shipments of forest products declined considerably from the high August level.

Commodity prices

Prices of industrial products continued to advance in September and the first half of October and Federal price ceilings were announced for additional commodities, including leading types of lumber, coke, wastepaper, paperboard, acetic acid, alcohols, and carded cotton yarns. In some cases these ceilings were below previously existing market quotations. Price advances were permitted, however, for some other commodities under Federal control. Prices of cotton and of foodstuffs increased further in the first half of September, but subsequently declined, owing partly to seasonal influences. On Thursday, October 16, prices of these commodities dropped sharply.

Bank credit

Commercial loans at member banks continued to rise during September and the first half of October, reflecting in part defense demands. Increases were substantial both in New York and in other leading cities. Holdings of United States Government obligations decreased, mainly at banks in leading cities outside of New York. Excess reserves of member banks showed little change in this period.

United States Government security market

Following a slight decline in the first half of September, prices of long-term Treasury partially tax-exempt bonds increased during the latter half of September and in the first part of October. The yield on the 2-3/4 per cent bonds of 1960-65 reached a new record low of 2.01 per cent in October. Prices of taxable bonds moved within a relatively narrow range during the period with yields slightly above previous low levels.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-908



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 18, 1941

Dear Sir:

There is enclosed for your information a copy of a letter dated October 16 received from Mr. Floyd B. Odlum, Director, Division of Contract Distribution, Office of Production Management, written in reply to my letter of October 11, and a copy of my letter of this date to Mr. Odlum.

It is hoped that you will be able to assure permanent employees of the Bank temporarily transferred to the pay roll of the Division of Contract Distribution that upon application they will be reemployed by the Bank, without loss of seniority or other rights, at any time within six months after they are transferred to the pay roll of the Division of Contract Distribution.

Very truly yours,

Frest G. Draper

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

OFFICE OF PRODUCTION MANAGEMENT
Social Security Building
Washington, D. C.

162

October 16, 1941

Hon. Ernest G. Draper
Board of Governors
Federal Reserve System
Washington, D. C.

My dear Governor Draper:

I have your letter of October 11, a copy of which is going to the President of each Federal Reserve Bank, and I greatly appreciate the cooperative spirit expressed therein. I am particularly grateful in view of the extreme pressure under which we have been reorganizing and expanding.

There are three specific points, however, which I should like to clarify.

First, it is my understanding that you will be agreeable to having our offices remain in Federal Reserve Banks, provided, of course, that after we receive our appropriation we will pay rent to you, and that the salaries of our staffs are also paid directly by us, as well as other expenses. I believe we will find in a number of cases that it is desirable to remain in the present locations.

Second, we cannot definitely advise you at this time just when our new appropriation will become available although it should be certainly within the next sixty days. You will appreciate, of course, that until this appropriation is forthcoming we must depend upon you to continue disbursements on our behalf as heretofore, your reimbursement here continuing from our old appropriation. I understand that in some instances there is the impression that the present arrangements may not continue beyond November 1, 1941.

The third point I have in mind has particularly caused concern. As you know, most of our clerical employees are "loaned" from the Reserve System. We believe that many of them may hesitate to transfer under the new arrangement directly to our payroll and thereby sever their connection with the System, for employment in a temporary organization. It would be unfortunate indeed at this particular time if any wholesale replacement of the personnel were necessary.

I would greatly appreciate it therefore if you could implement the cooperation expressed in your letter of October 11 by a further communication to the Presidents of your member banks suggesting that if possible any of their former employees going directly on our payroll be assured the opportunity of resuming their status with the bank at any time within six months after the change is made, without loss of seniority or other rights.

Thanking you again for what you have done and are doing to further the essential work of this division, I am

Sincerely yours,

(Signed) F. B. Odium,

Floyd B. Odium, Director,
Division of Contract Distribution

C O P YBOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM
Washington

October 18, 1941

Mr. Floyd B. Odlum, Director,
Division of Contract Distribution,
Office of Production Management,
Washington, D. C.

My dear Mr. Odlum:

This will acknowledge receipt of your letter of October 16 in reply to my letter of October 11 regarding services rendered your Division by the Federal Reserve Banks.

I am sure that all the Federal Reserve Banks and Branches that have space available will be glad to have you remain in your present locations if you so desire, provided they are reimbursed for space on the same basis as they are reimbursed for space by other governmental agencies as soon as you receive your new appropriation, which you state should become available certainly within the next 60 days.

In accordance with your request, the Federal Reserve Banks will continue, as heretofore, to pay on a reimbursable basis the expenses incurred by the offices of the coordinators located in Federal Reserve Bank and Branch buildings until December 1, 1941, or such earlier date as you are able to make the necessary arrangements to pay such expenses direct. As stated in my letter of October 11, it is understood that all arrangements for your new field offices, located outside Federal Reserve Bank and Branch buildings, including payments for salaries and other expenses incurred by them, will be taken care of by your office direct and not by the Federal Reserve Banks.

I am sending a copy of this letter to the President of each Federal Reserve Bank with the request that he cooperate with your office to the fullest extent practicable with respect to the third point raised in your letter, i.e., that wherever possible he assure permanent employees of the Bank transferred to your pay roll that upon application they will be reemployed by the Bank, without loss of seniority or other rights, at any time within six months after the change is made.

Very truly yours,

Ernest G. Draper.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

164

R-909

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 20, 1941

Dear Sir:

Referring to the Board's letter of September 22, 1941, R-888, there is enclosed for your information a summary of the September 1941 reports of the activities of Federal Reserve Bank liaison officers in connection with the Defense Savings Program.

In order that the monthly summary may be of some current interest, it will be appreciated if arrangements are made so that statements of the activities of the liaison officer will be received at the Board's offices not later than the tenth of each month. If necessary, any activities of the liaison officer on the last few days of the month may be included in the report for the following month.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

L. P. Bethea,
Assistant Secretary

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO LIAISON OFFICERS

R-909a

SUMMARY OF SEPTEMBER 1941 REPORTS OF
ACTIVITIES OF FEDERAL RESERVE LIAISON OFFICERS IN CONNECTION
WITH DEFENSE SAVINGS PROGRAM

Boston

A number of conferences have been held with employers desiring information regarding pay roll deduction plans and the Reserve Bank has been in close touch with several large companies now having such plans, assisting them in getting organized to handle the work.

New York

Continued effort has been made toward a 100 per cent qualification of sales agents. In the Second Federal Reserve District, there is now a 100 per cent qualification of New Jersey and Connecticut national banks and a like percentage of New York and New Jersey savings banks.

New York. Substantial progress has been made on work in connection with voluntary pay roll deductions. The plan being evolved is similar to that of the Minneapolis Reserve Bank, except that it is put into effect by the Committee rather than by the Bank. The Life Insurance Underwriters group is providing men who will devote their entire time to this work, assisting employers in setting up appropriate pay roll deduction records. Other groups also are arranging to provide the Committee with men to assist in this work. The State Bankers' Association is sending out salary allotment plan data for the attention of banks, following this up with suggestions to be passed on by the banks to their clients. With the approval of the Governor, a representative of the State Department of Education has become a member of the executive committee of the State Committee and is working out a coordination of the schools of the State with the Committee and cooperating with the Treasury Department in developing posters and written material adapted particularly to schools. It is expected that a school official will be a member of all local committees. The Reserve Bank continues to provide the State Chairman with statistical and economic research material.

Connecticut. With headquarters in Hartford, which is in the Boston District, it is logical that those in charge should be more concerned with the State as a whole than working with the New York liaison officer in any particular detail on Fairfield County, the only County in the Second District. No further contact has developed, although the liaison officer continues to work with the banks in Fairfield County.

New York (Cont'd)

New Jersey. It appears that the State Administrator is concentrating on the pay roll deduction plan and is pleased with the results so far obtained.

Philadelphia

The liaison officer has directed his efforts toward establishing closer relationship between companies which have pay roll deduction plans and the Bank's Fiscal Agency Department. Other activities included stimulating the interest of local newspapers in the Defense Savings Bond Program and assisting in a general way in the campaign of the Retail Merchants' Association. During the campaign, the liaison officer attended the organization meeting of the local Chamber of Commerce and outlined the results of the sales of bonds in the Third District.

Five additional companies have installed pay roll allotment plans, and the number of employees now participating has risen to approximately 30,000. The liaison officer has maintained close contact with all companies having such plans in order that a standard form of remittance might be used and has had company officials visit the Bank for the purpose of discussing any problems that may have arisen and of seeing the operation of the Defense Savings Unit. In the case of one company which did not secure a favorable response to its efforts to install a pay roll deduction plan, a new approach was suggested which it is hoped will be conducive to better results. At a meeting held in the Reserve Bank with officers of the Metropolitan Edison Company of Reading, Pennsylvania, the ground-work was laid for the presentation of the pay roll allotment plan described in the "Field Organization News Letter" of September 27, 1941.

Several photographs have been taken by newspapers showing officers of various fraternal organizations purchasing Defense Savings Bonds at the Reserve Bank. Arrangements have been made to furnish items of local interest to the press, using due care that such information does not in any way conflict with the publicity of the Defense Savings Staff.

The Secretaries of Banking of Pennsylvania, New Jersey, and Delaware have been very active in urging banks to qualify as issuing agents, and the liaison officer is furnishing them with periodic lists of banks that have qualified.

Cleveland

Ohio. Since the Administrator has opened an office in Cleveland and a Deputy Administrator has been appointed, more frequent contacts have been maintained. The liaison officer has accompanied the State Administrator to five group meetings of the Ohio Bankers' Association for the purpose of discussing Defense Bond activities, and the same procedure will

Cleveland (Cont'd)

be followed in connection with four other group meetings to be held during October. The Bankers' Association and the Superintendent of Banks have been very active in obtaining banks to qualify as issuing agents. A meeting of the Administrator, Deputy Administrator, a representative of the Cleveland Life Underwriters Association, and the liaison officer was arranged to discuss a plan to interest employers in a salary deduction plan. The Underwriters' Association has appointed a committee of top-ranking members to do this, and it is planned to hold a luncheon meeting of about 50 employers, at which time their cooperation will be solicited. It is also planned to follow a similar procedure in other cities in Ohio. The liaison officer received a request for assistance from a nonmember bank in a manufacturing city of about 10,000 population, which indicated that the community was not satisfied with the progress made in the sale of bonds. One of the larger Cleveland banks has discussed a salary deduction plan which it proposes to submit to employers who are customers of the bank. The payments will be collected by the employer and recorded at the bank in individual Defense Bond accounts for the employees. A bond will be purchased by the bank whenever an employee has accumulated the required amount.

West Virginia. The liaison officer has continued to notify the Commissioner of Banking as banks have qualified as issuing agents, and has written to the banking representative on the State Committee offering to be helpful in any way possible.

Kentucky. A State Chairman was recently appointed and the liaison officer has written to him offering to be of assistance in any way possible.

Pennsylvania. No appointments have been made by Defense Savings Staff.

Richmond

When the Deputy Administrator for Virginia was appointed, the liaison officer called upon him and offered his cooperation and assistance after explaining the Bank's position in the program. The Virginia organization is engaged in setting up an office in Richmond, and the liaison officer has arranged to assist the organization when it begins to function. No appointments for Maryland have as yet been made.

The liaison officer has kept in close touch with the Secretaries of the several State Bankers' Associations and the State Banking Commissioners in the District, all of whom have been very active in their efforts to have banks qualify as issuing agents. In several instances they have obtained applications and forwarded them to the Reserve Bank's liaison officer.

Richmond (Cont'd)

Copies of the weekly supplements to the list of qualified issuing agents have been furnished to bankers' associations and others entitled to receive them.

Several requests have been received for advertising material and copies of speeches, and the liaison officer has assisted in supplying the needs in each case.

Atlanta

Supplemental lists of qualified agents have been furnished to Secretaries of the State Bankers' Associations and others. Supplies have also been furnished to the Field Representatives of the Credit Union Section of the Farm Credit Administration.

The Bank has cooperated with the Georgia Administrator in arranging for Atlanta newspapers to make pictures in connection with the sale of Defense Savings Bonds to a fraternal order. Correspondence has also been had with other State Administrators on points concerning which they feel that they may in the future desire assistance.

Telephone calls, personal visits and letters have been handled from various business organizations requesting supplies, salary deduction plans and other information pertaining to the Defense Program. Close contact has been maintained with the State Chairman, Salary Allotment Division, and copies of salary deduction plans have been furnished him.

The Managing Director of the Nashville Branch spoke at a Rotary Club meeting in Columbia, Tennessee, on the subject of Defense Savings Bonds. Arrangements have been made for speeches on Defense Savings Bonds at the group meetings of the Georgia Bankers' Association being held in October.

Chicago

Activities during September have been on an expanding scale and the liaison officer has been in constant touch with the various State Administrators, particularly the one for Illinois.

The principal activity has been in connection with pay roll allotment plans, and, as information has been received from or regarding various corporations interested in instituting such a plan, it has been promptly transmitted to the respective State Administrators. Likewise, when applications for bonds have been received, a record of the concerns submitting the applications for employees has been maintained and the

Chicago (Cont'd)

State Administrators informed of the name of the official handling the transactions and such other information as has been received. The Reserve Bank has been able to make a number of constructive suggestions based on its experience with different types of plans.

Very appreciative letters have been received from the State Administrators, expressing their desire and willingness to cooperate in every way possible, and a personal invitation has been extended to the out-of-town Administrators to visit the Bank whenever they are in Chicago.

Assistance has been extended to the Illinois Administrator and his staff in connection with publicity matters, furnishing blank bonds to be used in posing pictures with celebrities. When requested, the President of the Reserve Bank has been willing to appear in photographs in order to bring the Bank into the picture and increase interest. The Illinois Administrator's office, which is in the Reserve Bank building, is not yet equipped with a mailing department, and the facilities of the Bank have been extended in forwarding posters, literature, etc. to various parts of the State.

During the A.B.A. Convention, Mr. B. M. Edwards, Assistant to the Secretary, and Mr. R. W. Sparks, Associate Field Director of Defense Savings Staff, were honor guests and spoke briefly at a luncheon given by President Young to State Banking Commissioners and Supervisors who were attending the Convention. Messrs. Johnston and Touchstone of Defense Savings Staff, who are primarily interested in broadening the pay roll allotment plan, also visited the Bank.

The general policy of the Reserve Bank is to supplement the work of the State Administrators rather than to attempt to initiate sales promotional work. It is the Reserve Bank's view that leadership in sales promotional work must rest either with the State Administrators or the Reserve Bank, as otherwise embarrassing and harmful conflicts might very easily result. The relationship with the various State Administrators is very harmonious, and it is believed that this type of cooperation will produce the most beneficial results.

St. Louis

The liaison officer called upon the Secretary of the St. Louis Defense Savings Committee who appreciated the offer of assistance given. The liaison officer also visited the office of the State Defense Savings Staff in Jefferson City, Missouri.

On September 25, the liaison officer addressed a meeting of the St. Louis Chapter of the Missouri Mutual Credit League on the subject of

St. Louis (Cont'd)

Defense Savings Bonds, and remarks were included relative to credit unions qualifying as issuing agents.

An article was published in the September 30 issue of the Reserve Bank's Monthly Review of Conditions relative to Defense Savings Bonds. The "Minute Man" illustration appeared on the cover. Edgar A. Guest's poem, "Bonds for Defense", as well as numerous captions, "Buy Defense Savings Bonds", were inserted in the employees' monthly publication, "Four-Four News".

Supplemental lists of banks qualified as issuing agents have been furnished to bankers' associations and others interested. Several of the State bankers' associations and supervisors have taken an active part in encouraging banks to qualify as issuing agents. Figures on sales of Defense Securities are given to the press weekly, and much helpful publicity has been received.

Minneapolis

During September, the Reserve Bank invited to luncheon-meetings at the Bank the heads of approximately 125 Minneapolis firms employing approximately 60,000 people. These firms are in the process of installing a pay roll deduction plan to enable their employees to conveniently purchase Defense Savings Bonds. As of September 30, 66 of these firms having 30,796 employees report that 13,532 employees had signed pay roll deduction orders aggregating \$137,303 monthly (these figures are not final), which indicate that 43 per cent of their employees are already purchasing bonds under this plan at an average of \$10 a month for each employee. There are about 60 additional firms which are now in the process of installing this pay roll deduction plan, but figures are not as yet available on their progress.

Kansas City

Contact has now been established and is being maintained with all State Administrators in the District and supplies, information and monthly reports of activity and progress are being furnished to them. Similar contacts are being maintained with the Secretaries of State bankers' associations and others in an effort to extend the number of qualified issuing agents. A letter has been addressed to all banks that have qualified, but have not yet ordered a stock of bonds, urging them to do so.

The Reserve Bank has cooperated with numerous firms and municipalities, assisting them in inaugurating pay roll deduction plans. A representative of the Bank has led discussions with groups of various organizations, the most recent being the Midwest District Meeting of the

Kansas City (Cont'd)

Credit Union National Association at Omaha, Nebraska, and the Corporate Fiduciary Association at Kansas City, Missouri.

Dallas

(No report submitted.)

San Francisco

During September, the liaison officer kept in constant touch with Defense Savings Bond organizations of the States comprising the District and furnished them with material of interest, such as a Speakers Handbook on United States Defense Savings Bonds and Stamps, prepared by the California Bankers' Association. The handbook has been used by five hundred competent bank speakers who have been appearing before hundreds of organizations throughout the State. In addition, State Administrators have been kept informed of changes in the list of issuing agents.

There has also been brought to the attention of State Administrators, with the suggestion that it may be of interest to the Presidents of State banking associations, the legend, "Support Your Government ... Buy Defense Bonds, Stamps and Tax Notes!", which appears on the monthly statements of account rendered to customers of a bank in San Diego.

In the absence of the appointment of an Administrator for Northern California, the Reserve Bank has aided some industrial organizations to project their pay roll deduction plans. The Bank has also furnished material in connection with the establishment of a plan of pay roll deduction to the managing editor of the official publication representing the personnel in the employ of the State of California.

While the services appear to be appreciated, it is felt that there are limitations at this time as to how far liaison officers may go in dealing with field forces without giving the appearance of assuming some of the prerogatives of the Defense Savings Staff in Washington.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

B-910



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 21, 1941

Dear Sir:

For your information, there is enclosed a copy of a letter dated October 16, 1941, from Mr. Donald M. Nelson, Executive Director, Supply Priorities and Allocation Board, and of my reply thereto dated October 21, 1941.

Very truly yours,

Ernest G. Draper

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY



C O P Y**173**

SUPPLY PRIORITIES AND ALLOCATION BOARD
Social Security Building
Washington, D. C.

Office of
Donald M. Nelson
Executive Director

October 16, 1941

The Board of Governors of the Federal
Reserve System,
Federal Reserve Building
Washington, D. C.

Attention: Honorable Ernest G. Draper

Gentlemen:

At the request of the War and Navy Departments the Federal Reserve Banks and Branches have been making available to Inspectors of Naval Materiel, Supervisors of Shipbuilding, Commandants of Naval Districts, and officials of the Navy Department in Washington confidential information regarding industrial concerns which are being considered as potential contractors or who have made application for advance payments on contracts.

Similar information has been made available to officials of the Under Secretary of War's Office and contracting officers of the Supply Arms and Services of the War Department. Also, from time to time, the Board of Governors has obtained confidential financial information through the Federal Reserve Banks at the request of the Office of Production Management.

In order that this work may continue as in the past without interruption, it is suggested that the Board of Governors request each Federal Reserve Bank and Branch to notify the officers now serving as Federal Reserve Defense Contract Officers that this office desires that this valuable service continue to be made available to officers and officials of the War and Navy Departments, the Office of Production Management, and the Supply Priorities and Allocations Board. It is also hoped that the Federal Reserve Defense Contract Officers will continue as in the past to render all assistance to member banks, nonmember banks, and other financing institutions in assisting concerns engaged in defense work to obtain whatever financial assistance is necessary in order to enable them to successfully finance the performance of their contracts.

Your cooperation will be very much appreciated.

Very truly yours,

(Signed) D. M. Nelson

Donald M. Nelson

C O P Y

R-910b

174

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

October 21, 1941

Mr. Donald M. Nelson, Executive Director,
Supply Priorities and Allocation Board,
Room 5603, Social Security Building,
Washington, D. C.

Dear Mr. Nelson:

Thank you for your courteous letter of October 16 which has just been received. We note your suggestion that the Board of Governors notify its various Defense Contract Officers that they continue to render in the future to the War and Navy Departments, the Office of Production Management and the Supply Priorities and Allocation Board the same service relating to financial information, etc., that has been in effect for some time in the past. We are also requesting these Federal Reserve Defense Contract officers to continue as in the past to render all assistance to member banks, non-member banks and other financing institutions in aiding concerns engaged in defense work to obtain whatever financial assistance is necessary in order to enable them to successfully finance the performance of their contracts.

You may be sure that the Board of Governors desires to be of every possible help in these fields and it is today forwarding a copy of your letter to the President of each Federal Reserve Bank requesting him to have his Federal Reserve Defense Contract officer continue to render the services you desire.

With best wishes to you, believe me

Yours sincerely,

(Signed) Ernest G. Draper.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



R-911

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 24, 1941

Dear Sir:

On Tuesday, November 11, Armistice Day, the offices of the Board of Governors of the Federal Reserve System and all Federal Reserve Banks and branches will be closed.

The Board is advised that the following holidays also will be observed by Federal Reserve Banks and branches during November:

November 1 (Saturday)	New Orleans		All Saints' Day
November 4 (Tuesday)	New York Buffalo	Philadelphia Pittsburgh Richmond	Election Day


On November 1 and 4, the offices affected will not participate in either the transit or the Federal Reserve note clearing through the Interdistrict Settlement Fund. Please include transit clearing credits for such offices with your credits for the following business days. No debits covering shipments of Federal Reserve notes for account of the head offices mentioned should be included in your settlement of November 4.

The Federal Reserve Bank of Cleveland and its Cincinnati Branch will be open until 1:00 P.M. on November 4. Debits covering note shipments for account of the head office and transit clearing credits for both offices should be included in your settlements for that day.

Advice with respect to Thanksgiving Day is held in abeyance awaiting the President's proclamation and action by the authorities of the respective States.

Please notify branches.

Very truly yours,


F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers of
Monday, October 27, 1941.

October 25, 1941

The Board of Governors of the Federal Reserve System has adopted, effective December 1, 1941, several amendments to Regulation W, dealing with instalment credit. The amendments are mainly of an administrative and technical nature.

The amendments include adoption of the so-called "purpose test", requiring a borrower on an instalment loan, after January 1, 1942, to sign a statement as to the purpose of the loan; exempting business instalment loans from the Regulation, as well as loans to purchase or construct an entire building, and making the 18-month maximum maturity apply to all instalment loans of \$1,500 or less, instead of \$1,000 or less, as previously provided. In addition, more liberal provisions have been adopted to facilitate repayment of instalment loans by farmers in accordance with the seasonal nature of their income. Also, in the case of so-called "add-ons", options are provided -- either the additional credit may be treated separately, or the combined credit may be paid in 15 months, the monthly payments to be not less than they would have been without the add-on.

As amended, the Regulation closes the loophole whereby, although dealers in listed articles were required to obtain down payments, cash lenders were free to lend the full price unless the article was given as security

- 2 -

for the loan.

Other provisions are as follows:

All instalment loans of \$1,500 or less which are not for the purpose of purchasing a listed article are made subject to the 18-month maturity limit (except modernization loans, where the figure remains \$1,000).

Down payments of \$2 or less will no longer be required; and the \$5 minimum on monthly instalments (which was to become effective January 1, 1942) is eliminated.

The extension of an instalment loan which is for the purpose of making a down payment on a listed article is prohibited.

All business loans are exempted from the Regulation unless they are for the purpose of purchasing listed articles.

The provision covering instalment credit for farmers permits any schedule of payments, if the down payment and maturity requirements of the Regulation are complied with, and if one-half of the balance is paid within the first half of the maximum maturity.

These amendments are effective December 1, 1941, and the provisions of the Regulation which were to have become effective on November 1 are postponed to December 1.

Distribution of copies of the amendments will be made by Federal Reserve Banks and branches.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-913

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 25, 1941



Dear Sir:

You will recall that the Board's letter of September 5, 1941 (R-879) forwarded to you copies of forms and memorandum of procedure for use in connection with designations of defense housing to be made by the Defense Housing Coordinator under section 6(e)(2) of Regulation W.

These forms and the memorandum of procedure have been somewhat altered, and revised copies are being forwarded under separate cover directly to your head office and your branches (if any) by the Division of Defense Housing Coordination. Your head office will receive 150 copies and each branch will receive 25 copies.

You will note that an important change in procedure is that the applications are to be submitted to the local representatives of the Division of Defense Housing Coordination rather than directly to Washington.

A list of the local representatives of the Division of Defense Housing Coordination will be included in the material forwarded to you, and these local representatives will have additional copies of the forms and memorandum of procedure. It is suggested that contact be maintained with such representatives in your district with a view to facilitating public information with respect to these matters as indicated in the Board's letter of September 5.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



R-914

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 30, 1941

Dear Sir:

Under separate cover we are sending you two copies of the new edition of the Federal Reserve Chart Book containing charts on Bank Credit, Money Rates, and Business. Copies have also been sent to your Research Department. Additional copies for the use of the Bank's staff may be procured upon request without charge.

Several of the charts have been substantially revised and all of them have been brought up to date with the latest figures available as of September 3, 1941. Space has been left blank with lightly printed grids for plotting data through 1942.

In accordance with our policy, copies are furnished free upon request to Government departments, State banking departments, and to the economics departments of colleges and universities. To others we shall continue to charge 50 cents for single copies and 45 cents per copy in quantities of ten or more for classroom or other use.

Our practice is to make a charge to member banks for copies ordered by them, but, as stated in Mr. Morrill's letter of March 17 on this same subject, should you desire to distribute copies to some of your member banks at your own expense, it is not felt that this would be in conflict with the Board's policy.

Very truly yours,

A handwritten signature in cursive script that reads "Bray Hammond".

Bray Hammond, Chief,
Correspondence and Publications Section.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-915

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 31, 1941



Dear Sir:

A form of registration statement for purposes of Regulation W (Form F.R. 563) has been approved by the Board, and several mimeographed copies are enclosed herewith. The form is now being printed here on single sheets, 8-1/2 by 11 inches, with the instructions on the reverse side. Please notify the Board as to the number of printed copies that you will require.


The distribution of these forms will be, in general, in the hands of the Federal Reserve Banks and will be effected by such means as they may determine. It is assumed that ordinarily two copies of Form F.R. 563 will be needed by each prospective Registrant, one to be returned to the Reserve Bank of the district in which his head office is located and the other to be retained by him. The facilities of trade associations, chambers of commerce, and local banks may be used in distributing these forms to whatever extent you consider desirable. The Board has agreed, however, to supply forms to the Federal Home Loan Bank Board for distribution to all building and loan associations, to the Farm Credit Administration for distribution to all Federal credit unions, and to the Credit Union National Association for distribution to all State-chartered credit unions. Building and loan associations and credit unions, therefore, will not as a rule have to obtain their forms or notices from the Reserve Banks.

There are enclosed a suggested form of notice to accompany the forms distributed by the Federal Reserve Banks, and a form of "Registration Certificate" to be used by the Reserve Banks in acknowledging the completed statements received. It is requested that each Reserve Bank determine for itself whether to use the suggested form of notice, either as it stands or with modifications, but that all Reserve Banks use a "Registration Certificate" in the form enclosed. Each Reserve Bank will in any event arrange for its own printing.

Your attention is invited to the fact that Form F.R. 563 includes a note suggesting that Registrants with questions or difficulties should direct their problems to the Reserve Banks. In order to assure a uniform treatment of these problems and in order to deal with many minor points that were suggested at the time the first draft of the registration statement was circulated, some additional notes for the use of the Reserve Banks (but not for distribution to the Registrants) have been prepared, and several copies are enclosed herewith.

The Board's staff is working on plans for the tabulation of the information that will be brought in on these registration statements, and there will be further communications in due course on this subject.

Very truly yours,



L. P. Bethca,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

This statement is to be filed with the Federal Reserve Bank of the district in which the main office of the Registrant is located, and should be sent to reach the Federal Reserve Bank on or before December 31, 1941. Before answering the questions, please read the instructions on the back of this form. If you have any question about this form which is not covered by the instructions on the back, please communicate with the Reserve Bank.

Please leave
[]
this space blank

REGISTRATION STATEMENT

Date _____ 1941

This statement is filed in accordance with the provisions of Regulation W issued by the Board of Governors of the Federal Reserve System pursuant to Executive Order No. 8843 issued by the President of the United States relating to consumer credit.

Name of Registrant (print or type); state also trade name if different from legal name _____

Street Address _____ City _____ County _____ State _____

I. Indicate by check mark whether Registrant is in business as an individual _____, partnership _____, corporation _____, or other form (specify) _____.

II. General nature of business
(Check the principal business of Registrant)

- A. Financial business**
- 1. Sales finance company
 - 2. Commercial bank or trust company
 - 3. Industrial loan company or bank
 - 4. State-licensed small loan company
 - 5. Credit union
 - 6. Other financial business (specify) _____

- B. Dealer, contractor, or other business**
- 7. Department or general store
 - 8. Automobile dealer
 - 9. Furniture or house furnishings store
 - 10. Household appliance or radio store
 - 11. Electric or gas utility company
 - 12. Hardware or automotive accessory store
 - 13. Dealer or contractor in heating, plumbing or air-conditioning equipment
 - 14. Dealer or contractor in other construction or repair materials
 - 15. Manufacturer (specify type of product) _____
 - 16. Other (specify) _____

III. Credit outstanding and sales (In even dollars, cents (Whether or not subject to omitted; where amount Regulation W) is none, write "none")

- A. Registrants in classes 1 to 6 please report the unpaid balance of retail and personal instalment paper held at close of business September 30, 1941**
- 1. Retail instalment paper purchased
 - 2. Retail instalment credit/extended
directly.....\$
 - 3. Personal instalment cash loans.....\$

- B. Registrants in classes 7 to 16 please report the following data:**
- Retail sales, 12 months ending September 30, 1941:
- 4 Total net sales\$
 - 5. The sales reported in item 4 were approximately:
 - (a) instalment sales (incl. down-payments).....\$
 - (b) other credit sales.....\$
 - (c) cash sales.....\$
- Retail receivables, unpaid balance at close of business September 30, 1941:
- 6. Instalment receivables.....\$
 - 7. Other receivables.....\$

IV. Did Registrant have any branches on September 30, 1941? _____ If so, how many? _____
(Please attach a list of branches and their addresses, unless the Registrant is a bank insured by F.D.I.C.)

V. Is 50% or more of Registrant's voting stock owned or controlled directly or indirectly by any other company? _____ If so, please fill in:

Name of controlling company		Street Address	
City	State	Nature of business of controlling company	

VI. Explanation, if any, which Registrant may wish to add: _____

III. This is to certify that to the best of my knowledge and belief the foregoing statement is correct (except as to any items marked "est." which are estimated in good faith).

Please print or type here the name and official title of the person whose signature appears at the right

Authorized Signature

GENERAL INSTRUCTIONS:

III.-- Instalment credit should include credit for which the agreed repayment is in two or more parts. Instalment sales should include sales made on instalment credit.

In case the records of the Registrant are kept on such a basis that receivables held on September 30, 1941, and sales for the 12 months ending on that date are not readily available, the Registrant may instead report the amount of receivables held on some other date within 15 days before or after September 30, and sales for the year ending on such other date -- in which case the date used should be stated. Businesses which were not in operation on September 30, 1941, please answer question III for such later date as is convenient, clearly indicating the date used. A business concern organized to succeed another concern doing similar business should report for the concern succeeded, if possible.

IV.--Branches should include stores or offices at which the Registrant is engaged in making instalment sales or otherwise extending instalment credit, or purchasing or discounting or making loans on instalment obligations.

VII.--This statement may be signed by any official ordinarily authorized to sign statements for the Registrant.

SPECIAL INSTRUCTIONS FOR FINANCIAL BUSINESSES: (Sales finance company, bank, loan company, credit union, or other financial business).

III-A.--Any hypothecated payments or deposits which are for the purpose of retiring loans should be deducted before reporting the unpaid balances of such loans. In case a Registrant cannot readily secure an exact division of its outstandings between items III-A-1, 2 and 3, the division may be estimated.

III-A-1 and 2.--Include the unpaid balances of all instalment credits arising from the retail sale of and secured by articles, whether or not listed in Regulation W, such as automobiles, trucks, household appliances, furniture, clothing, jewelry, etc., including also loans for building repair or modernization (whether or not insured under FHA Title I and whether or not secured). Any retail instalment paper purchased from or registered for dealers or others should be reported in item III-A-1 and loans made directly to consumers for the purchase of and secured by such articles should be reported in III-A-2. Do not include loans made to dealers and finance companies on their own promissory notes, even if secured by the pledge of instalment paper.

III-A-3.--Report the unpaid balances of all secured and unsecured instalment loans which were made to individuals, including those used for such purposes as consolidation of debts, medical attention, general personal expenditures, etc. (but do not include any loans reported in item III-A-2, nor loans to business concerns for business purposes, nor loans secured by mortgages or other liens on real estate, nor agricultural loans).

SPECIAL INSTRUCTIONS FOR DEALERS, CONTRACTORS, AND OTHERS:

III-B-4.--Give net retail sales figure (gross sales less returns and discounts), but do not deduct trade-ins. A store should include sales of leased departments for which it arranges and holds retail credit. A Registrant which is engaged in manufacturing or other business should report only the sales which it makes at retail. A Registrant who is a contractor should include receipts from repair work and the like. There should be excluded from item III-B-4, however, sales of electricity or gas by a Registrant who is a utility company and sales of real estate (and receivables arising from such sales should also be excluded from items III-B-6 and 7).

A concern which was in business on September 30 but was not in operation throughout the 12 months ending on that date, should report sales for only that part of the period for which it operated, indicating clearly the length of such period.

III-B-5.--"Instalment sales" should include all sales on instalment credit, regardless of whether the paper is sold or discounted or held by the Registrant, and should include the down payment (whether cash or trade-in) as well as the amount deferred. "Other credit sales" should include those on open credit, charge account, or similar basis.

III-B-6 and 7.--Retail receivables should represent the unpaid balances of all receivables, whether represented by notes, book accounts, or otherwise, arising from retail sales by the Registrant, including sales of automobiles, trucks, household appliances, furniture, clothing, jewelry, building repair and modernization (whether or not insured under FHA Title I), etc. Retail receivables should include such credits even if pledged as security for loans to the Registrant, but should not include credits sold to (or discounted with) a bank or finance or other company with or without recourse.

In case a Registrant, in addition to holding receivables arising out of its own retail sales (reportable against items III-B-6 and 7), also holds receivables which were purchased or which arose from lending by the Registrant, the receivables of the latter types should be reported against the appropriate items in group III-A. (Some Registrants -- such as some manufacturers or public utility companies -- may have no retail sales or retail credit to report under group III-B but should report their purchased paper or loans under group III-A.)

In case the Registrant is unable to determine exactly, without undue inconvenience or expense, the division of its receivables between instalment and other credit, this division may be estimated.

NOTE:--Section 3(d) of Regulation W provides in part as follows:

"The license of any Registrant may, after reasonable notice and opportunity for hearing, be suspended by the Board, either in its entirety or as to particular activities or particular offices or for specified periods, on any of the following grounds:

- (1) Any material misstatement or omission willfully or negligently made in the registration statement;
- (2) Any willful or negligent failure to comply with any provision of this regulation or any requirement of the Board pursuant thereto."

Federal Reserve Bank of _____

NOTICE REGARDING REGISTRATION IN CONNECTION WITH REGULATION W ON
CONSUMER CREDIT

Under authority of Executive Order No. 8843 issued by the President of the United States, dated August 9, 1941, the Board of Governors of the Federal Reserve System on August 21 issued Regulation W dealing with Consumer Credit. Section 3 of this regulation provides that all those who are subject to the regulation are required to be licensed; all such persons and organizations are automatically given a license which continues until December 31, 1941, but in order to have a license after December 31, 1941, it is necessary, on or before that date, to file a registration statement on the required form. This notice is to describe who must register and how registration is to be accomplished. Two copies of the required form are attached to this notice.

Who Must Register

A Registration Statement should be filed by any person or organization which is:

- (1) engaged in the business of making instalment sales of any of the articles listed in the Supplement to Regulation W (which list is printed on the back of this notice), or
- (2) engaged in the business of making instalment loans in amounts of \$1,500 or less, or instalment loans in any amount secured by articles listed in the Supplement, or
- (3) engaged in the business of discounting or purchasing (or lending on the security of) instalment obligations arising from transactions described in (1) or (2).

How to Register

Registration is accomplished by filling out Form F.R. 563 and filing it with the Federal Reserve Bank (main office or branch) of the district in which the Registrant's main office is located. A map of the United States, showing the locations of the Federal

Reserve Banks and branches, is printed on the reverse side of this notice. Only one copy of the Registration Statement need be filed; the second copy is provided for the files of the Registrant. Additional copies of Form F.R. 563 may be secured from any Federal Reserve Bank or branch.

Only one Registration Statement is required for any one person or corporation, which will cover the main office and all branches, but each subsidiary, if it is a separate corporate entity and is engaged in the business outlined above, is required to file a separate Registration Statement.

Instructions for filling in Form F.R. 563 are given on the back of the form, and these are intended to enable the Registrant to fill in the form quite readily. If in completing the statement, however, any Registrant has questions which are not answered by these instructions, or finds that following the instructions exactly would cause undue expense or inconvenience, the Registrant should take up such questions with the Federal Reserve Bank.

The foregoing notice applies only to persons who are in business and are required to register on or before December 31, 1941. For persons who begin business after that date and who will be required to register, an appropriate form and instructions will be obtainable from the Federal Reserve Bank at that time.

REGISTRATION CERTIFICATE

_____, 194__

This is to certify that

(Name)

of

(Place)

has filed a registration statement pursuant to Regulation W relating to consumer credit, issued by the Board of Governors of the Federal Reserve System pursuant to Executive Order No. 8843 of August 9, 1941, and is licensed under said regulation.*

FEDERAL RESERVE BANK OF _____

By _____

Authorized Signature

* Under section 3(d) of Regulation W, any license may, after reasonable notice and opportunity for hearing, be suspended by the Board of Governors of the Federal Reserve System for:

(1) Any material misstatement or omission willfully or negligently made in the registration statement; or

(2) Any willful or negligent failure to comply with any provision of Regulation W or any requirement of the Board pursuant thereto.

ADDITIONAL NOTES REGARDING THE FILLING OUT OF
FORM F.R. 563, REGISTRATION STATEMENT UNDER REGULATION W.

In addition to the instructions which are printed on the back of Form F.R. 563, the registration statement prescribed under Regulation W, a number of questions have arisen which may be brought up by Registrants but which are not deemed to be of such general application as to call for answers in the instructions. The following notes are intended to assist the Reserve Banks in answering such questions when they are brought up, and to increase the uniformity of reporting by the Registrants in different districts.

Determining the general nature of Registrant's business. -

In answering question II it is intended that the Registrant should check (or write in against items 6 or 16) the usual designation by which the establishment is known to the trade or public. Where there is doubt on this point and the Reserve Bank is asked to assist the Registrant in deciding, it may be desirable for the Reserve Bank to consult the designations used in the Census of Business for 1939, which are available in several publications that are likely to be in the library of each Reserve Bank. Where a Registrant's business consists of several parts which would fall into several classifications, the general rule in determining the answer is that the Registrant should check (or write in) the designation applying to that part of the business which produced the largest amount of sales or gross revenue.

Industrial banks, even though insured by the Federal Deposit Insurance Corporation (including those that are State members or have national bank charters), should check item II-A-3 rather than II-A-2.

Reporting of approximate or inexact figures.-

While it is desired that the answer to question III be sufficiently accurate to provide useful statistical data on total instalment outstandings and credit sales, and that each registration statement provide a reasonably accurate indication of the amount of the Registrant's instalment business, it is not desired that any Registrant should be put to any undue inconvenience or expense in order to provide exact figures on this form. As indicated in the instructions which are printed on the back of Form F.R. 563, a Registrant who finds it inconvenient to report as of September 30 will be permitted to report as of some nearby date; a Registrant who is unable to secure readily an exact division between items III-A-1, 2 and 3 will be permitted to estimate this division; Registrants may give approximate figures against item III-B-5; and the division between outstanding instalment receivables (item III-B-6) and other receivables (item III-B-7) may be estimated. In addition, however, there are some other points on which it appears that exact reporting would unduly inconvenience a few Registrants and on which estimated figures will be acceptable; points which have come to the attention of the Board's staff include;

Items III-A-2 and III-A-3. - According to the strict wording of the questions these items call only for retail and personal instalment paper, and exclude loans not payable in instalments and loans for business or agricultural purposes. Mortgage loans, other than loans for repair or modernization purposes, are also to be excluded. In the case, however, of an institution that holds some non-instalment loans or business loans or agricultural loans or mortgage loans and would find it excessively burdensome to make an exact separation of such loans from its personal and retail instalment paper, the Registrant may estimate the amount of such loans to be excluded, or where the amount is very small the Registrant may ignore them.

Item III-B-4. - There will be some small Registrants for whom the compiling of their sales for a 12-month period ending on or about September 30 would be inconvenient; such Registrants may estimate their sales for this 12-month period. There will also be some Registrants who compile their sales figures on the basis of net sales after the deduction of trade-ins and cannot conveniently determine the amount of such trade-in allowances; such Registrants should be asked to estimate the value of goods accepted in trade and to include this figure in their total sales.

Treatment of instalment paper pledged, discounted, or sold. -

The general principle to be followed with respect to instalment paper that is pledged as security for a loan is that such paper should be reported as held by the borrower or pledgor, and should not be reported by the lender or pledgee. The general principle with respect to instalment (or other) paper that has been sold or discounted (with or without recourse) is that such paper should be reported by the purchaser, and should not be reported by the seller.

Credits charged off. -

A Registrant, in reporting the amount of credit outstanding against question III-A or under items 6 and 7 of question III-B, may either exclude or include credits which have been charged off the Registrant's books -- whichever procedure is in accord with the customary practice of the Registrant.

Sales and credits to include those relating to unlisted as well as listed articles. -

The figures on sales to be reported against item III-B-4 and III-B-5 should include all retail sales of the Registrant (except sales of electricity or gas by a public utility and sales of real estate) -- and should

not be confined to sales of articles of the types listed in the Supplement to Regulation W. Likewise the figures on credit outstanding to be reported against items III-A-1, III-A-2, III-B-6, and III-B-7 should not be confined to credit connected with articles of the types listed in the Supplement to Regulation W.

Treatment of down-payments on instalment sales. -

In answering question III-B-5, which calls for the approximate percentage of instalment sales, other credit sales and cash sales, the Registrant should include the down-payments received on instalment sales in making his estimate of instalment sales notwithstanding the fact that his custom may be to count such amounts as cash sales.

C.O.D. sales not instalment credit. -

The fact that a C.O.D. sale may be payable in two parts, a deposit at the time of purchase and the balance payable on delivery, does not make it an instalment sale for purposes of question III-B, as no instalment credit is involved; all such C.O.D. sales should be considered as cash sales.

Question regarding control of Registrant. -

Question V, regarding control of Registrant's stock, is asked for the purpose of obtaining information that will assist in combining the figures reported by related companies and in classifying the Registrants. Therefore, in complex cases involving difficult questions of legal ownership or control of stock, a Registrant should be permitted to attach to its registration statement a brief summary of the relevant facts regarding ownership or control of its stock, and need not be required to give a definite "yes or no" answer to the first part of question V in every case.

Registrant controlled by several other companies. -

In the event that 50 per cent or more of the voting stock of a Registrant is owned by a second company and 50 per cent or more of the voting stock of the second company is owned or controlled by a third company, the Registrant is controlled "directly or indirectly" by both the second and the third companies, and should list both of such companies in answer to question V. This will, of course, require in a few cases the attaching of an extra sheet to give the names of such controlling companies.

Registrants beginning business on or after January 1, 1942. -

Form F. R. 563 is designed for the registration of persons who were engaged in the instalment credit business on or before December 31, 1941. It is intended that a slightly different form, appropriate for persons beginning business after December 31, 1941, will be made available before that date.

Persons extending instalment credit of types exempted from Regulation W by section 6.-

The requirements of Regulation W regarding registration apply to all persons who are engaged in the business of selling listed articles for payment in instalments, or making instalment loans of less than \$1,500, or making instalment loans of any amount which are secured by listed articles, or purchasing or discounting or lending on such instalment obligations, notwithstanding the fact that all of the credit extended by such a person may be credit of the types exempted by section 6 of the regulation.

Registrants having subsidiaries which extend instalment credit.-

Since each corporation which extends instalment credit of the specified types is required to register, the report of a corporation or other business concern having subsidiaries which also are required to register should include only its own figures and not those of its subsidiaries. If the reporting of separate figures should be unreasonably difficult, the division of the credit outstanding and sales (question III) between the parent company and its subsidiaries and among the subsidiaries may be estimated.

Credit unions and building and loan associations.-

In connection with the distribution of forms to credit unions by the Farm Credit Administration and the Credit Union National Association and to building and loan associations by the Federal Home Loan Bank Board, it is contemplated that some additional instructions will be sent out in order to assist those classes of Registrants in filling out their registration statements correctly. Copies of these instructions, which will be cleared in advance with the Board, will be sent to all Federal Reserve Banks for their information.

Issuance of "Registration Certificates" to Registrant with several offices.-

In case a Registrant having several offices requests the issuance of one or more duplicate "Registration Certificates", in order to be able to supply a copy to each of its branches, the Reserve Bank may comply with the request.

Additional questions.-

As to questions which are not covered, either by the instructions accompanying the form or by the foregoing notes, the Reserve Bank will use its own judgment as to whether to answer or to forward the question to the Board.

October 30, 1941.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-916

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 18, 1941

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of October 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

A handwritten signature in cursive script, appearing to read "O. E. Foulk".

O. E. Foulk,
Fiscal Agent.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF OCTOBER 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	40,361	381	40,742	\$ 522.52	\$ 373.82	\$ 148.70
New York	95,982	-	95,982	1,230.97	1,040.92	190.05
Philadelphia	26,971	380	27,351	350.78	265.45	85.33
Cleveland	51,173	381	51,554	661.18	322.96	338.22
Richmond	64,322	379	64,701	829.79	374.82	454.97
Atlanta	54,834	379	55,213	708.11	261.44	446.67
Chicago	79,360	428	79,788	1,023.28	1,330.27	306.99(a)
St. Louis	56,770	378	57,148	732.92	277.17	455.75
Minneapolis	23,932	379	24,311	311.79	183.85	127.94
Kansas City	53,056	379	53,435	685.30	203.91	481.39
Dallas	45,380	442	45,822	587.67	327.60	260.07
San Francisco	75,049	381	75,430	967.39	460.73	506.66
Board of Governors	713,673	-	713,673	9,152.87	12,341.63	-
Total	1,380,863	4,287	1,385,150	\$17,764.57	\$17,764.57	\$3,495.75 <u>306.99(a)</u> \$3,188.76

- (1) Based on cost per word (\$.012825015) for business handled during the month.
- (2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,166.28) and wire rental (\$11,578.89) less amount (\$403.54) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury and Reconstruction Finance Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.
- (a) Credit--reimbursable to Chicago.

R-917

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Friday, November 21, 1941.

The following summary of general business and financial conditions in the United States, based upon statistics for October and the first half of November, will appear in the December issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial activity continued to increase in October and the first half of November and there was some further advance in prices of industrial materials and finished products. Distribution of commodities to consumers declined in this period following an unusually large volume of trade in the preceding three months.

Production

Volume of industrial production increased further in October and the Board's seasonally adjusted index advanced from 161 to 164 per cent of the 1935-39 average. Increases in activity occurred mainly in industries producing machinery, armament, and other durable manufactures required under the defense program. In the meatpacking industry activity also advanced considerably and output of other manufactured food products, which has been unusually large in recent months, declined less than seasonally.

Automobile production increased during October and in the first half of November was sustained at about the rate reached at the beginning of the month. Production in October approximated the quota permitted for the month, whereas in August and September output had been considerably below the quotas set, owing in part to delays incident to the changeover to new model production and to difficulties in obtaining certain materials. Since the beginning of the model year production has been substantially in excess of retail sales and dealers' stocks have risen sharply. Output of cars and trucks in October was about one-fourth smaller than in October last year; in the industry as a whole, however, activity, as measured by man-hours worked, was about the same as a year ago, apparently reflecting a shift to armament production.

In most other manufacturing industries output in October was maintained at or near the rates prevailing in other recent months. At cotton mills activity increased, following some reduction in the previous month,

while at wool mills there was a slight decline from the peak reached in September. Steel production rose to an average rate of about 99 per cent of capacity during October but declined slightly in the first half of November.

Coal production declined somewhat in October and early November, while output of crude petroleum increased further to new record levels. Iron ore shipments down the Lakes were maintained at a high rate and through the end of October amounted to 71,600,000 gross tons, a larger volume than had previously been transported in any complete shipping season.

Value of construction contract awards decreased slightly in October, according to figures of the F. W. Dodge Corporation. Declines in awards for publicly-financed work were partly offset in the total by an increase in privately-financed projects. Awards for residential building showed little change, although an increase is customary in this month. Contract awards in October continued in larger volume than a year ago. Total awards were 60 per cent larger, reflecting increases of 13 per cent in private construction and of 112 per cent in public work.

Distribution

Distribution of commodities to consumers declined in October following an unusually large volume of trade in the preceding three months. During the third quarter sales had been stimulated considerably by several factors, notably apprehension that there might be shortages and higher prices of many consumers' goods later on, as well as desire to avoid stricter installment credit terms, effective September 1, and higher taxes on many products effective October 1.

Railroad freight-car loadings declined somewhat from September to October, owing principally to decreased shipments of grain products and coal. Shipments of livestock increased and ore loadings showed less than the usual seasonal decline.

Commodity prices

Prices of agricultural commodities, which had declined from the early part of September to the middle of October, have advanced somewhat since that time and prices of industrial commodities have increased further. Recent advances for industrial raw materials and finished products have been more restricted than in earlier periods, reflecting partly an extension of Federal maximum price action particularly to petroleum products and to selected metal, chemical, and textile products.

Prices in retail markets have continued to advance sharply. In September the cost of living, as measured by the Bureau of Labor Statistics'

index, increased 2 points to 108 per cent of the 1935-39 average and was 7 per cent above the level of last March. Since September retail food prices, which usually decline at this season, have increased further and preliminary data indicate that retail prices of other commodities have continued to rise.

Bank credit

Total loans and investments at reporting member banks rose further during October and the first two weeks in November. Holdings of United States Government securities increased and commercial loans continued to advance.

Excess reserves of member banks declined from 4.7 billion dollars to 3.5 billion on November 1, reflecting the increase in reserve requirements previously announced by the Board to be effective on that date.

United States Government security market

Long-term Treasury bonds declined slightly in price during the early part of November, following a relatively sharp increase after the middle of September to a record high level around November 1. Yields on short-term issues have firmed since early in September, the yield on Treasury notes of December 1945 advancing from 0.62 per cent on September 15 to 0.83 on November 15, and the bill rate rising to 0.253 per cent.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-918

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 19, 1941

Dear Sir:

Reference is made to the Board's telegram of October 9, 1941 relating to the new Federal tax on the transportation of persons. The Bureau of Internal Revenue has approved a form of tax exemption certificate for use by officers and employees of Federal Reserve Banks when traveling on official business. A supply of this form (Form F.R. 158 - Revised November, 1941) is being sent you today under separate cover. We will be glad to furnish your Bank with additional forms from time to time when needed.

These forms, when properly filled out, will entitle the holder to exemption from the tax on transportation of persons and on seats, berths, or staterooms in connection therewith. Care must be taken, however, that the forms are used only when the facts are as certified to in the certificate. For example, if your Bank is to be reimbursed for the transportation by anyone not entitled to an exemption from the tax, the form should not be used.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

197

R-919

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 24, 1941

Dear Sir:

From the Board's point of view, the recent three-day System conference on Regulation W served a very useful purpose. In particular, the Board wishes to express its appreciation of the opportunity afforded for members of the Board and its staff to become better acquainted with the men in attendance from the Reserve Banks and to obtain the views of the Reserve Banks on the various matters discussed. The cooperation of the Federal Reserve Bank representatives facilitated the discussion of a long program of topics and resulted in giving the Board and its staff much valuable information and counsel.

As to some of these matters, such as the Statement of Borrower and the Statement of Necessity, you will have already received by telegraph, or will soon receive, requests for further comment. A letter is now in preparation concerning data to be tabulated by the Reserve Banks from the registration statements. It is intended that System committees shall soon be appointed on the following: enforcement; relations with national trade associations; participation of branches; and the collection and organization of facts and figures. You will also be receiving shortly for comment studied suggestions, developed in the light of the conference discussion, for Amendment No. 3--on which action before the end of December is contemplated.

Among the suggestions made at the conference, there were several relating to the possibility of reconsideration of the Board's interpretations of Regulation W in the light of the experience and views of the Reserve Banks. Since the discussion on this point may have left a confusing impression, the Board wishes to state that it will continue its present practice, consulting beforehand with one or more Reserve Banks when deemed necessary or appropriate, but that after any interpretation has been issued the Board will amplify or modify the interpretation whenever good reason for doing so may appear. Consequently, criticisms and suggestions from the Reserve Banks will be in order at any time, either

shortly after an interpretation has been issued or at any later time. They are in fact desired, and in case any given interpretation should turn out to be wrong in any important particular the Board will not hesitate to correct it by issuing a subsequent interpretation.

It is contemplated that other System conferences on Regulation W will be held from time to time, of which it is hoped that the next will be within sixty days or ninety days.

Very truly yours,



Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

199

R-920

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1941

Dear Sir:

On Thursday, December 25, the
offices of the Board of Governors of the
Federal Reserve System and all Federal
Reserve Banks and branches will be closed.

Very truly yours,

A handwritten signature in cursive script, reading "F. A. Nelson".

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



R-921

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 27, 1941

Dear Sir:

In addition to communications from the Federal Reserve Banks specifically requesting rulings, interpretations, or other action with respect to Regulation W, the Board also receives letters from the Reserve Banks enclosing communications received by them and presumably transmitted to the Board for its information and not for action.

Some of the Federal Reserve Banks forward with such letters copies of their own replies and these replies make it apparent that the original letters have been courteously and satisfactorily answered and require no further action by the Board. We, of course, are glad to have such information and particularly to know how the Federal Reserve Banks are handling the questions raised. In some cases, however, we are uncertain whether the Reserve Bank has replied to the inquiries and whether or not it is expected that we take some action with respect to them. It will assist the Board in handling such correspondence if the Reserve Banks will indicate plainly whether they have replied and whether the correspondence is transmitted simply for our information or for some other particular purpose.

At the same time, it appears best, in line with the policy of decentralization, that as many communications as possible be given such answer by the Reserve Banks as makes no further correspondence by the Board necessary.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-922

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 2, 1941

Dear Sir:

There have been forwarded to you today under separate cover copies of form F. R. 107b to be used by State bank members in submitting their reports of earnings and dividends for the six and twelve months ending December 31, 1941.

The form is unchanged, so far as the items therein are concerned, from the form used in submitting reports for the six months ended June 30, 1941. However, the new form has an additional column in sections 1 and 2 for figures covering the full year ending December 31, 1941. The figures in this column will represent the total of the figures in the first column of the current report plus those shown in the report of earnings and dividends for the six months ended June 30, 1941. If the latter report was corrected after it was submitted to your bank, the corrections should, of course, be taken into account in compiling the full-year figures for the current report.

It is suggested that appropriate instructions be given to the banks at the time the forms are sent to them. It is also suggested that, in the examination of the reports submitted by the member banks before transmittal to the Board, particular attention be given to the annual figures in the second column of section 2, to verify that they reconcile section 3 of the current report with section 3 of the report submitted at the end of 1940.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-923

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 3, 1941



Dear Sir:

It is becoming increasingly difficult to obtain supplies of paper of all kinds, and we should like to have a survey made of your requirements for extra copies of the Board's publications and mimeographed material now being sent to your Bank, with a view to reducing the number of copies to a minimum.

There is attached a list of the number of copies of mimeographed letters and speeches currently sent to your Bank. Of course this is not a comprehensive list of all publications and mimeographed material which you receive from the Board, but represents only a few items in which reductions might be effected. In arriving at the number of copies needed for your regular requirements it might be well to keep in mind that additional copies can always be obtained upon request.

We shall appreciate advice of any changes that may be effected in your requirements for such supplies.

Very truly yours,

A handwritten signature in cursive script, appearing to read "F. A. Nelson".

F. A. Nelson,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(Enclosure with addressed copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-924

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 5, 1941

Dear Sir:

Referring to the Board's letter R-765 of January 11, 1941, the following changes should be made in the list of nonmember banks that have in force agreements with the Board pursuant to the provisions of Section 8(a) of the Securities Exchange Act of 1934:

AdditionVirginia

Charlottesville Citizens Bank and Trust Company

DeletionNew York

Troy The Troy Trust Company
(absorbed by The Manufacturers
National Bank of Troy 11-3-41)

The last previous change in this list was given in the Board's letter of October 7, 1941 (R-900).

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-925

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 5, 1941

Dear Sir:

There are enclosed a copy of the Board's letter of November 10 to the Administrator of the Farm Security Administration, and a copy of the reply of the Acting Administrator dated November 28, 1941, relating to section 6(k) of Regulation W.

The phrase "member banks" in the last paragraph of the letter of November 28 apparently refers to the Federal Reserve Banks, and therefore, although your Bank is of course free to advise any interested person as to the contents of these enclosures, there would seem to be no need for circularizing all the member banks in your District unless you feel that it is desirable to do so.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

R-925-a

November 10, 1941

Mr. C. B. Baldwin, Administrator,
Farm Security Administration,
Department of Agriculture,
14th and Independence Avenue, S.W.,
Washington, D. C.

Attention: Mr. Payson Irwin

Dear Mr. Baldwin:

This will confirm, on behalf of this Board, the discussion regarding section 6(k) of Regulation W between members of the staffs of this Board and your Administration. A copy of Regulation W is attached for your convenience.

Section 6(k) exempts two different kinds of agricultural loans. The first, covered by subdivision (1), is agricultural credit which is "approved by the Farm Security Administrator, or his authorized agent, as being necessary for the rehabilitation of a needy farm family." The second, covered by subdivision (2), is agricultural credit which is "for general agricultural purposes and is not for the purpose of purchasing any listed article and not secured by any listed article purchased within 45 days before the extension of credit."

An important difference between these two types of credit is that the first may involve listed articles (that is, articles listed in the Supplement to the regulation), while the second may not.

Subdivision (1) exempts the loans made by the Farm Security Administration for the rehabilitation of needy farm families, since the very act of making the loan constitutes the specified approval. There might be some question as to whether this provision also authorizes the Farm Security Administration to approve--and in this manner to exempt--loans made by other lenders for the rehabilitation of needy farm families. In view of the credit risks involved in such loans it seems unlikely that many other lenders would use such an exemption even if it were available. Furthermore, it is understood that the Solicitor of the Department of Agriculture has rendered an opinion that the Farm Security Administration is not authorized to approve such loans when made by other lenders. Subdivision (1) of section 6(k) will consequently be limited in its application to loans actually made by the Farm Security Administration.

It will be appreciated if you will confirm our understanding that these views are in accord with those of your Administration.

Very truly yours,
(Signed) Chester Morrill
Chester Morrill,
Secretary.

R-925-b

UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Security Administration
Washington

November 28, 1941

Board of Governors
Federal Reserve System
Washington, D. C.

Attention: Mr. Chester Morrill, Secretary

Gentlemen:

This will acknowledge receipt of your letter of November 10, giving your understanding of section 6(k) of Regulation W issued by you. We confirm the understanding that subdivision (1) of section 6(k) gives all loans made by the Farm Security Administration exemption from the restrictions on instalment credit and that it does not imply that the Farm Security Administration is to give approval to agricultural loans made by other lenders.

To clear up this matter in the field we understand that you will send this information to your member banks and that we shall send it to our regional offices.

Sincerely yours,

(Signed) George S. Mitchell

Acting Administrator

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

207

R-926

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 8, 1941



Dear Sir:

On pages 116-123 of the February 1941 Federal Reserve Bulletin, the name, official title and principal business affiliation of each director of the Federal Reserve Banks and Branches was shown. This list was prepared from the directors' biographical sketches on file with the Board. Subsequent to the publication of this list, the Board's attention was called to the fact that a number of the official titles of the directors were incorrect, which apparently was the result of several of the directors' official titles having been changed without the Board having been notified thereof, as requested in its letter (X-9470) of January 29, 1936.

In order to avoid any errors in the list to be published in the February 1942 Federal Reserve Bulletin, it will be appreciated if you will review the titles and principal business affiliations of the directors of your Bank and branches, if any, and notify the Board not later than January 20, 1942 of any changes that should be made therein.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

R-927

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release

December 8, 1941

The Board of Governors of the Federal Reserve System issued the following statement today:

The financial and banking mechanism of the country is today in a stronger position to meet any emergency than ever before.

The existing supply of funds and of bank reserves is fully adequate to meet all present and prospective needs of the Government and of private activity. The Federal Reserve System has powers to add to these resources to whatever extent may be required in the future.

The System is prepared to use its powers to assure that an ample supply of funds is available at all times for financing the war effort and to exert its influence toward maintaining conditions in the United States Government security market that are satisfactory from the standpoint of the Government's requirements.

Continuing the policy which was announced following the outbreak of war in Europe, Federal Reserve Banks stand ready to advance funds on United States Government securities at par to all banks.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

209

R-928

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 9, 1941

Dear Sir:

Enclosed are three copies of a memorandum dealing with the tabulation of the data which will be received in the Registration Statements under Regulation W (Form F. R. 563). Since the memorandum supplements a committee report that was presented to the conference on Regulation W held in Washington on November 17-19, three copies of this committee report are also enclosed.

The plan of tabulation described in the memorandum allows each Reserve Bank latitude in adapting it to the personnel and equipment that are available. Any Reserve Bank having difficulty in following the plan or wishing more specific advice on particular points should feel free to present its problems to the Board's staff. In case any Reserve Bank should find that it can submit final tabulations by February 15, 1942 only with great inconvenience, it should feel free to ask for an extension of the deadline.

Specimen copies of the table forms, to be used in making up tabulations to be sent to the Board, are herein transmitted. A supply will be dispatched as soon as possible.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(Enclosures sent with addressed copies only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-929

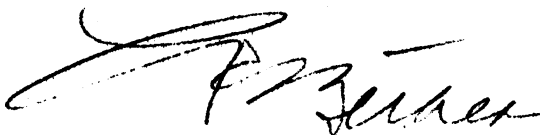
ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 1941

Dear Sir:

There is enclosed for your information a copy of a letter from Mr. Claude C. Conn, Director of Personnel, Office of Production Management, to the President of one of the Federal Reserve Banks regarding the transfer from Federal Reserve pay roll to the Office of Production Management pay roll of employees of the Federal Reserve Banks. The procedure outlined by Mr. Conn is agreeable to the Board,

Very truly yours,



L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

C O P Y

R-929a

December 5, 1941

Mr. _____,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Your letters of November 17, 1941, to Messrs. _____ and _____ concerning the employment of Miss _____ by the Defense Contract Distribution Office in _____ have been referred to the Personnel Branch of the Office of Production Management, since this office is handling the personnel actions in connection with the transfer from Federal Reserve payroll to the Office of Production Management payroll.

The problem involved in the case of Miss _____ has been raised in many instances in various offices all over the country. Although it is the policy to place all personnel on the payroll of the Office of Production Management who decide to accept an offer to stay with the Defense Contract Distribution Office, we appreciate that strict adherence to this policy will often work a serious hardship on both the employees concerned and on the Division. A person with considerable equity in the Federal Reserve retirement system is not going to wish to lose these rights without some other very special consideration. However, if such an employee does not stay with the Defense Contract Distribution Division, the Division may be seriously handicapped by the loss of an employee who may be very difficult to replace.

In order to meet this situation and still be as fair to both the individual concerned and the division, it has been decided that in those cases in which the employee is unwilling to give up his interest in the Federal Reserve retirement system, but whose services are urgently needed by the Division, at least until suitable replacement can be appointed and trained, the Office of Production Management will carry these persons on reimbursable basis for a maximum of 6 months. Within 6 months, suitable replacements must be obtained, and no extensions will be granted to such reimbursable arrangement.

As far as the Office of Production Management is concerned, each employee of the Federal Reserve system has the privilege of deciding whether or not to accept any offer of employment with the Defense Contracts Distribution Division. It is necessary under the policy outlined above for each person to definitely decide whether or not to accept.

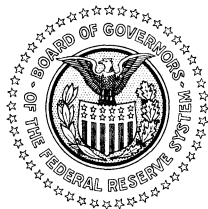
In the case of Miss _____, it is recommended that if Messrs. _____ and _____ wish to retain her services until someone else can be found to take her place, and if you are willing to enter into such an agreement, an arrangement can be made for Miss _____'s services on a reimbursable basis for a period not to exceed 6 months. Approval for such action will be given by the Office of Production Management. Such a request should be accompanied by a statement outlining the justification for such an arrangement because of the retirement problem involved.

This office greatly appreciates the interest of Miss _____, as well as many other employees of the Federal Reserve system, in the program of the Defense Contract Distribution Division, and hopes that any hardships which may be incurred by individual employees due to this transfer will be reduced to a minimum.

Very truly yours,

Claude C. Conn
Director of Personnel

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



R-930

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 11, 1941

Dear Sir:

It is desired that the regular annual reports of holding company affiliates on Form F.R. 437 be obtained for the year ending December 31, 1941, or for the holding company affiliate's latest fiscal year if it differs from the calendar year. Accordingly, please deliver to each holding company affiliate which has its principal executive office in your district, and which holds a general voting permit, three copies of Form F.R. 437, with the request that the annual report be filed in duplicate with your bank not later than February 2, 1942.

Form F.R. 437 has not been revised, and since an extra supply of the form was sent to each Federal Reserve Bank a year ago, your bank presumably has a sufficient stock of the form on hand to deliver the necessary copies to the holding company affiliates in your district. However, if such is not the case, please inform us immediately as to the number of additional copies of Form F.R. 437 needed by your bank, and these will be furnished promptly from our stock.

For information as to the procedure to be followed in obtaining the reports, please refer to the Board's letter of December 23, 1938 (R-362) and the memorandum enclosed therewith (R-368-a). The instructions contained in such letter and memorandum are still applicable to the handling of the reports, except certain dates mentioned in the instructions.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-931



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1941

Dear Sir:

Enclosed are 25 copies of a specimen form of the STATEMENT OF NECESSITY TO PREVENT UNDUE HARDSHIP which the Board has prescribed for use pursuant to the provisions of section 8(d) of Regulation W. This specimen form has been designated as Form F.R. 565.

The forms for actual use by Registrants will not be printed by the Board or by the Reserve Banks, but specimen forms are to be distributed by the Federal Reserve Banks to the installment selling and lending trade so that Registrants may secure a supply either by printing or otherwise reproducing them or by obtaining them from stationery or supply houses. The notice at the top of the form indicates the restrictions on reproduction.

It is suggested that your Bank print a supply of the specimen form in such number as will permit a distribution of one copy to each Registrant in your District. Such additional specimen copies as you deem necessary may be distributed to Registrants and others for sample purposes. The Board requests that the Reserve Banks, in preparing sample copies, adhere strictly to the size of the sheet and the style of type used for the specimen copy.

Section 8(d) of Regulation W reads in part as follows:

"Until the Board has prescribed the form and content of the Statement of Necessity the Registrant may in good faith accept a written statement in any form, provided such statement otherwise conforms to the requirements of this section."

The Board has set January 15, 1942 as the date on and after which the use of a form in accordance with Form F.R. 565 will be required. Until that date, a Registrant may accept a statement in any form meeting the other requirements of section 8(d).

The enclosed form of notice to Registrants to accompany the specimen forms is designed to serve only as a suggestion to Reserve Banks and, of course, you are at liberty to compose your own appropriate form of notice or to modify or alter the suggested form in any particular.

Use by Registrants of this form of Statement of Necessity will demonstrate whether the form accomplishes its obvious objective. The Reserve Banks are invited to comment from time to time on reactions from the trade and the public.

The Board and its staff gratefully acknowledge the helpful suggestions of the Reserve Banks.

Very truly yours,



Chester Morrill,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

R-931-a

FEDERAL RESERVE BANK OF _____

NOTICE REGARDING USE OF
"STATEMENT OF NECESSITY TO PREVENT UNDUE HARDSHIP"
IN CONNECTION WITH REGULATION W

Regulation W, relating to consumer credit, which was issued by the Board of Governors of the Federal Reserve System pursuant to Executive Order No. 8843 issued by the President of the United States, limits the terms of payment of certain instalment credits.

It would tend to defeat the purposes of the Order if, after an instalment credit subject to Regulation W had been granted, the terms could ordinarily be changed at a later time or the credit refinanced to provide a rate of payment not regularly permitted by the regulation. However, in order to prevent undue hardship, provision has been made for flexibility in exceptional circumstances.

The regulation provides that in such circumstances a creditor may, within certain limits, renew, revise, consolidate, or refinance an instalment credit already outstanding so as to provide a rate of payment below that regularly permitted by the regulation. Section 3(d) of the regulation provides that a creditor may take such action upon acceptance in good faith of a "Statement of Necessity to Prevent Undue Hardship" signed by the obligor. Until January 15, 1942, such a statement may be in any form which meets the requirements set forth in section 3(d) of the regulation, but a statement received on or after January 15, in order to be acceptable under the regulation, must follow the form prescribed by the Board of Governors of the Federal Reserve System.

A specimen copy of the form which the Board has prescribed for use in this connection is enclosed. The forms will not be supplied by the Board or by this Bank but should be printed or otherwise reproduced by the Registrant or obtained by him from stationery or supply houses. Please note that the form should be reproduced only in accordance with the instructions at the top of the specimen form. Your attention is also called to the fact that Registrants are instructed to keep all statements on file.

Any inquiry relating to this form should be addressed to the Federal Reserve Bank of _____ or to its _____ Branch(es).

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-932

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 13, 1941



Dear Sir:

Enclosed are 25 copies of a specimen form of the STATEMENT OF BORROWER which the Board has prescribed for use on and after January 1, 1942, pursuant to the provisions of section 5(d) of Regulation W. This specimen form has been designated as Form F.R. 564.

The forms for actual use by Registrants will not be printed by the Board or by the Reserve Banks, but specimen forms are to be distributed by the Federal Reserve Banks to the lending trade so that Registrants may secure a supply either by printing or otherwise reproducing them or by obtaining them from stationery or supply houses. The notice at the top of the form indicates the restrictions on reproduction.

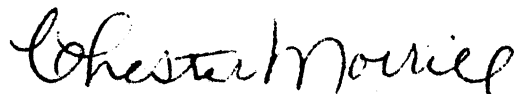
It is suggested that your Bank should print a supply of the specimen form in such number as will permit a distribution of one copy to each Registrant in your District who appears to be engaged to any extent in the business of extending instalment loan credit. Such additional specimen copies as you deem necessary may be distributed to Registrants and others for sample purposes. The Board requests that the Reserve Banks, in preparing sample copies, adhere strictly to the size of the sheet and the style of type used for the specimen copy.

You will also find herewith a suggested form of "Notice Regarding Use of Statement of Borrower in Connection with Regulation W". This form is designed to serve only as a suggestion to the Reserve Banks and, of course, you are at liberty to compose your own appropriate form of notice or to modify or alter the suggested form in any particular.

Use by Registrants of this form of Statement of Borrower will demonstrate whether the form accomplishes its obvious objective. The Reserve Banks are invited to comment from time to time on reactions from the trade and the public.

The Board and its staff gratefully acknowledge the helpful suggestions of the Reserve Banks.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FEDERAL RESERVE BANK OF _____

219NOTICE REGARDING THE "STATEMENT OF BORROWER"
PRESCRIBED FOR USE IN CONNECTION WITH REGULATION W

Regulation W, relating to consumer credit, which was issued by the Board of Governors of the Federal Reserve System pursuant to Executive Order No. 8843 of the President of the United States, provides that, on and after January 1, 1942, no Registrant shall make any extension of instalment loan credit (with certain exceptions) unless, at or before the execution of the loan contract, he obtains and accepts in good faith a signed Statement of the Borrower as to the purposes of the loan in form prescribed by the Board.

A specimen copy of the form which the Board has prescribed for use in this connection is enclosed. The forms will not be supplied by the Board or by this Bank but should be printed or otherwise reproduced by the Registrant or obtained by him from stationery or supply houses. Your attention is called to the fact that the form should be reproduced only in accordance with the instructions at the top of the specimen form. Your attention is also called to the fact that Registrants are instructed to keep all such statements on file.

Any inquiry relating to this form should be addressed to the Federal Reserve Bank of _____ or to its _____ Branch(es).

SPECIMEN FORM

Form F. R. 564.

FOR INFORMATION OF REGISTRANT OR PRINTER ONLY—NOT TO BE PRINTED AS PART OF FORM: In reproducing this form, the Registrant or printer shall follow exactly the wording and arrangement of the front and back of the form, but may vary the spacing as desired. Additions to the form, such as an acknowledgment by the borrower that he has received a copy, are permitted provided they do not call for the obtaining of any additional information from the borrower.

Since the form may be changed from time to time, it is suggested that Registrants do not stock large supplies of the form.

STATEMENT OF BORROWER

Prescribed by the Board of Governors of the Federal Reserve System under its Regulation W, issued pursuant to Executive Order No. 8843 of the President of the United States.

(Name of Registrant)

TO BE FILLED IN BY REGISTRANT
(Date of Loan) \$ (Amount of Loan)

- 1. Is any of the money from this loan to be used to buy a Listed Article?
2. Is any part of this loan to be secured by any Listed Article which you have bought within the last 45 days or which you intend to buy?
3. Is any of the money from this loan to be used to pay all or part of any instalment debt?
4. Is any of the money from this loan to be used as a down payment on the purchase of a Listed Article?

In determining whether any article involved in this loan is a Listed Article, I have been guided by information furnished by the lender. I certify that, to the best of my knowledge, the information given by me on this sheet is true and complete.

(Date) (Borrower's Signature)

5. IF EITHER QUESTION 1 OR 2 HAS BEEN ANSWERED "YES", the following information must be obtained from borrower:

Table with 5 columns: Listed Article Bought or To Be Bought or Used as Security, Purchase Price, Date Purchased (If before loan), Trade-in Allowance, Amount To Be Borrowed.

Have you borrowed any money elsewhere, or do you intend to borrow any, to be used in buying any of the Listed Articles specified above? (Answer "Yes" or "No") If "Yes", how much? \$

6. IF QUESTION 3 HAS BEEN ANSWERED "YES", the following information must be obtained from borrower:

Table with 4 columns: Name of Person Holding Debt, Total Unpaid Balance, Instalment Terms, Amount To Be Paid Off.

NOTICE TO LENDER.—The lender, acting in good faith, may rely upon the above statements of the borrower. However, this form does not provide all of the information that it may be necessary for the lender to have if he intends to avail himself of certain provisions of Regulation W.

THE REGISTRANT RECEIVING THIS STATEMENT MUST KEEP IT ON FILE

LISTED ARTICLES

The instalment purchase of classes of consumers' durable goods using materials, labor, and equipment needed for national defense is regulated under the President's Executive Order No. 8843. Regulation W covers the extension of credit to buy these articles, whether bought directly on instalment payments or with money borrowed on an instalment basis. The following are the classes of "Listed Articles" based upon the Supplement of Regulation W in effect December 1, 1941, but articles may be added to or taken from the list at any time. IN DETERMINING WHETHER AN ARTICLE INVOLVED IN A LOAN IS A "LISTED ARTICLE" A BORROWER MAY BE GUIDED BY INFORMATION FURNISHED BY THE LENDER, AND REGISTRANTS MUST KEEP THEMSELVES INFORMED AS TO CHANGES IN THESE "LISTED ARTICLES".

PASSENGER AUTOMOBILES

AIRCRAFT

MOTOR BOATS AND BOAT MOTORS

MOTORCYCLES AND MOTOR BICYCLES

REFRIGERATORS AND ICEBOXES

WASHING OR IRONING MACHINES

VACUUM CLEANERS

COOKING STOVES

HEATING STOVES AND HEATERS

ELECTRIC DISHWASHERS

AIR CONDITIONING EQUIPMENT

SEWING MACHINES

RADIOS AND PHONOGRAPHS

METAL MUSICAL INSTRUMENTS

FURNACES, OIL OR GAS BURNERS, AND STOKERS

WATER HEATERS AND PUMPS

PLUMBING AND SANITARY FIXTURES

ATTIC VENTILATING FANS

NEW HOUSEHOLD FURNITURE, BED SPRINGS AND MATTRESSES

PIANOS AND ELECTRIC ORGANS

MATERIALS AND SERVICES USED IN CONNECTION WITH REPAIRS, ALTERATIONS, OR IMPROVEMENTS OF BUILDINGS

WARNING

Regulation W provides that no borrower shall willfully make any material misstatement or omission in his Statement. The law under which the President's Executive Order was issued reads in part: "Whoever willfully violates any of the provisions of this subdivision or of any license, order, rule or regulation issued thereunder, shall, upon conviction, be fined not more than \$10,000, or, if a natural person, may be imprisoned for not more than ten years, or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both."

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-933



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 15, 1941

Dear Sir:

Referring to my letter of October 18, 1941, R-908b, the Contract Distribution Division of the Office of Production Management has called to my attention the fact that vouchers for certain expenditures authorized prior to December 1 necessarily will not be presented for payment until some time after that date and have asked that the Federal Reserve Banks pay such vouchers when submitted, with the understanding that they will be reimbursed in the usual way for such expenditures.

There is enclosed for your information, a copy of a letter written by the Field Management Section of the Contract Distribution Division to the field offices with respect to this matter. You will note from the letter that each field office will submit to your office a list of obligations incurred prior to December 1, to be paid by your Bank, and arrange to have all such bills submitted to the Bank for payment prior to January 1, 1942.

It will be appreciated if you will cooperate with the Contract Distribution Division in this respect.

Very truly yours,

E. G. Draper
E. G. Draper

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
(ENCLOSURE WITH ADDRESSED COPIES ONLY)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-934

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 17, 1941



Dear Sir:

On New Year's Day the offices of the Board of Governors of the Federal Reserve System and all Federal Reserve Banks and branches will be closed.

The Board is advised that the following holidays also will be observed by Federal Reserve Banks and branches during January 1942:

January 8 (Thursday)	New Orleans		Anniversary of the Battle of New Orleans
January 19 (Monday)	Richmond Charlotte Atlanta Birmingham Jacksonville Nashville New Orleans	Little Rock Louisville Memphis Dallas El Paso Houston San Antonio	Anniversary of the Birthday of General Robert E. Lee

On the dates given the offices mentioned will not participate in either the transit or the Federal Reserve note clearing through the Interdistrict Settlement Fund. Please include transit clearing credits for the offices concerned on each of the holidays with your credits for the following business day. No debits covering shipments of Federal Reserve notes for account of the head offices mentioned should be included in your note clearing of January 19.

Please notify branches.

Very truly yours,

F. A. Nelson
F. A. Nelson,
Assistant Secretary,

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

R-935

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release

December 17, 1941

DEPARTMENT STORE INVENTORIES

Stocks of goods held by department stores throughout the country increased by 35 per cent in value in the year ending October 31, according to information compiled by the Federal Reserve System. Outstanding orders by department stores were also considerably larger than a year earlier, while sales by these stores showed a smaller increase, which for the three months September through November amounted to 15 per cent over the corresponding period of last year. Most of the increase in stocks occurred after the middle of this year; prior to that time department store stocks were exceptionally small in relation to the volume of sales. Outstanding orders also increased considerably during the summer but later declined somewhat. To a varying degree the increases in sales, stocks, and outstanding orders reflect price increases. On the average these have amounted to perhaps 15 per cent over the past year, although changes have differed considerably among different classes of products. Furniture prices, for example, have advanced by 25 per cent, and men's apparel prices by 10 per cent.

According to a special survey made by the Board of Governors and the Federal Reserve Banks, substantial increases in stocks have occurred in all departments of the stores during the past year. The largest percentage increases were reported in stocks of household appliances and of some types of women's apparel and accessories. Women's coats, suits, dresses, and shoes, however, showed the smallest increases, probably owing to the importance of style changes in these lines. Department stores also held at the end of October a relatively large amount of goods in the "small wares" and "miscellaneous" groups of departments, which include many items, such as toys, luggage, jewelry, and the like, that are important in the Christmas trade.

For the country as a whole department store stocks at the end of October amounted to about 3-1/2 months' supply at the rate of October sales--while a year earlier stocks represented about 2-3/4 months' supply. It should be noted, however, that the October comparison is not altogether representative of the change over the year,

because October sales showed a smaller increase from the previous year than sales in other recent months. In departments where sales in October were not greatly different from those in previous months, the ratios of stocks to sales were generally about one-sixth larger than a year ago. Apparently both this year and last the relation of stocks to sales was fairly uniform in different regions of the country, although stocks in some of the Eastern sections were somewhat below the average and those in some of the Western districts somewhat above the average.

The attached table shows for the principal departments of stores reporting in this special survey percentage changes in stocks and sales in October this year over the same month last year and also ratios of stocks to sales. Reports from 340 stores are included in the total, compared with a sample of from 240 to 250 stores that report departmental sales figures monthly. For purposes of comparison figures on sales by 244 stores in the period January-September 1941 are also shown. Although based on a different sample, these figures are roughly comparable with the others in the table; in October the two different samples showed closely similar results.

DEPARTMENT STORE STOCKS AND SALES, BY MAJOR DEPARTMENTS

	October					Jan.-Sept.
	Number of stores	% change 1940-1941		Ratio of stocks to sales (month's supply)		% change in sales 1940-1941 244 stores
		Stocks	Sales	1940	1941	
GRAND TOTAL--entire store	340	+35	+10	2.7	3.4	+17
MAIN STORE--total <u>1/</u>	340	+34	+10	2.9	3.5	+18
Women's apparel and accessories	*	+32	+3	2.3	2.9	+16
Coats & suits	314	+20	-5	1.4	1.7	+27
Dresses	316	+15	+6	1.2	1.3	+11
Blouses, skirts, sportswear, etc.	300	+33	+20	1.9	2.1	+19
Juniors' and girls' wear	*	+27	+11	1.9	2.2	+19
Aprons, housedresses, uniforms	264	+47	+12	2.0	2.7	+14
Underwear, slips, negligees	*	+51	+17	3.8	4.8	+15
Infants' wear	284	+41	+19	2.6	3.0	+16
Women's and children's shoes	230	+15	+11	4.2	4.4	+12
Furs	241	+17	-59	2.8	7.9	+45
Men's and boys' wear	*	+29	+17	4.2	4.7	+14
Men's clothing	219	+19	+16	3.9	4.1	+16
Men's furnishings, hats, caps	289	+38	+18	4.6	5.3	+11
Boys' clothing & furnishings	264	+30	+15	3.6	4.1	+14
Men's & boys' shoes & slippers	141	+24	+15	6.1	6.6	*
Housefurnishings	*	+36	+18	3.3	3.8	+24
Furn., beds, mattresses, springs	225	+34	+21	3.0	3.3	+25
Domestic floor coverings	247	+28	+19	3.3	3.6	+26
Draperies, curtains, upholstery	281	+27	+14	3.0	3.4	+15
Major household appliances	200	+85	+3	2.1	3.8	+40
Domestics, blankets, linens, etc.	*	+36	+22	3.8	4.2	+24
Piece goods	*	+23	+15	3.6	3.8	+7
Cotton wash goods	125	+32	+22	4.0	4.3	*
BASEMENT STORE--total <u>2/</u>	*	+45	+13	2.0	2.6	+14
Women's apparel & accessories	*	+52	+10	1.5	2.1	+14
Men's & boys' clothing & furnishings	160	+45	+14	2.7	3.4	+10
Housefurnishings	*	+48	+23	2.2	2.7	+20
Piece goods	69	+32	+21	2.8	3.1	+9
Shoes	114	+27	+10	3.1	3.6	+8

*Not available. Number of stores included in each group total is somewhat greater than the largest number shown for any subgroup.

1/Group totals for main store include sales in departments not shown separately.

2/Group totals for basement are not strictly comparable with those shown for main store owing chiefly to inclusion in basement of fewer departments and somewhat different types of merchandise.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-936



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 18, 1941

Dear Sir:

There is attached a copy of the report of expenses of the main lines of the Federal Reserve Leased Wire System for the month of November 1941.

Please credit the amount payable by your Bank to the Board, as shown in the last column of the statement, to the Federal Reserve Bank of Richmond in your daily statement of credits through the Interdistrict Settlement Fund for the account of the Board of Governors of the Federal Reserve System, and advise the Federal Reserve Bank of Richmond by mail the amount and purpose of the credit.

Very truly yours,

A handwritten signature in cursive script, appearing to read "O. E. Foulk".

O. E. Foulk,
Fiscal Agent.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE
LEASED WIRE SYSTEM FOR THE MONTH OF NOVEMBER 1941

Federal Reserve Bank	Number of Words Sent	Words Sent by N. Y. Chargeable to Other F.R. Banks	Total Words Chargeable	Pro Rata Share of Total Expenses (1)	Expenses Paid by Banks and Board (2)	Payable to Board of Governors
Boston	30,052	399	30,451	\$ 535.85	\$ 281.48	\$ 254.37
New York	75,135	-	75,135	1,322.16	879.24	442.92
Philadelphia	19,220	410	19,630	345.43	258.65	86.73
Cleveland	39,459	410	39,869	701.58	314.85	386.73
Richmond	42,639	408	43,047	757.50	386.90	370.60
Atlanta	38,815	408	39,223	690.21	257.49	432.72
Chicago	63,019	447	63,466	1,116.82	1,321.01	204.19(a)
St. Louis	44,368	408	44,776	787.93	304.85	483.08
Minneapolis	19,474	408	19,882	349.86	204.98	144.88
Kansas City	41,649	408	42,057	740.08	202.39	537.69
Dallas	35,986	437	36,423	640.94	323.65	317.29
San Francisco	56,645	410	57,055	1,004.00	560.79	443.21
Board of Governors	394,004	-	394,004	6,933.32	10,629.40	-
Total	900,465	4,553	905,018	\$15,925.63	\$15,925.68	\$3,900.27 204.19(a) \$3,696.08

- (1) Based on cost per word (\$.017597086) for business handled during the month.
- (2) Payments by Banks are for personal services and supplies and payments by Board are for personal services and supplies (\$1,176.27) and wire rental (\$9,845.11) less amount (\$391.98) representing reimbursement for the cost of sending messages between the Washington office of the Leased Wire System and the local telegraph offices of the Treasury and Reconstruction Finance Corporation. Personal services include salaries of main line operators and of clerical help engaged in work on main line business, such as counting the number of words in messages; also overtime and supper money and Retirement System contributions at the current service rate.
- (a) Credit--reimbursable to Chicago.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-937

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 18, 1941

Dear Sir:

There is attached a copy of a resolution adopted by the Board of Governors of the Federal Reserve System levying an assessment upon the various Federal Reserve Banks in an amount equal to two hundred and eighty-eight thousandths of one per cent (.00288) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal Reserve Banks as of the close of business December 31, 1941, to defray the estimated expenses and salaries of the members and employees of the Board from January 1 to June 30, 1942.

The resolution also contains instructions with regard to the manner in which the payments on the assessment shall be deposited with the Federal Reserve Bank of Richmond.

Very truly yours,

A handwritten signature in cursive script, appearing to read "O. E. Foulk".

O. E. Foulk,
Fiscal Agent.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

R-937-a

RESOLUTION LEVYING ASSESSMENT

WHEREAS, Section 10 of the Federal Reserve Act, as amended, provides, among other things, that the Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal Reserve Banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and

WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System that for the six months' period beginning January 1, 1942, it is necessary that a fund equal to two hundred and eighty-eight thousandths of one per cent (.00288) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal Reserve Banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal Reserve notes;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THAT:

(1) There is hereby levied upon the several Federal Reserve Banks an assessment in an amount equal to two hundred and eighty-eight thousandths of one per cent (.00288) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such Bank at the close of business December 31, 1941.

(2) Such assessment shall be paid by each Federal Reserve Bank in two equal instalments on January 2, 1942, and March 2, 1942, respectively.

(3) Every Federal Reserve Bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board of Governors of the Federal Reserve System on the books of that Bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Board of Governors of the Federal Reserve System on the dates as above provided.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Saturday, December 20, 1941.

The following summary of general business and financial conditions in the United States, based upon statistics for November and the first half of December, will appear in the January issue of the Federal Reserve Bulletin and in the monthly reviews of the Federal Reserve Banks.

Industrial activity was maintained at a high rate in November and the first half of December and distribution of commodities continued in large volume. Our entry into the war was reflected in a sharp advance in the prices of some commodities, some decline in security prices, and further curtailment of nonmilitary production.

Production

Volume of industrial output was sustained in November at the high rate of the previous two months, although a decline is usual at this season. The Board's adjusted index advanced from 163 to 167 per cent of the 1935-39 average. In industries engaged in production of armament and munitions activity continued to increase and in most other lines volume of output was maintained or declined less than seasonally.

Output of materials, such as steel and nonferrous metals, was maintained at about capacity. In the automobile industry activity increased, reflecting larger output of both military and civilian products, and at lumber mills and furniture factories activity declined less than seasonally. At cotton and rayon textile mills activity rose to new record levels, and at woolen mills the high production rate of other recent months was maintained. Less than seasonal declines in output were indicated for shoes and manufactured food products.

Crude petroleum production increased further in November. Bituminous coal production declined somewhat owing to temporary shut-downs at some mines during November, and anthracite production was curtailed as a result of unusually warm weather in some areas and the existence of considerable stocks of coal accumulated in earlier months.

Iron ore shipments continued in large volume until the shipping season closed early in December; during 1941 about 80 million tons of ore were brought down the Lakes as compared with the previous record of 65 million tons in 1929. Stocks of ore at lower Lake ports on November 30 amounted to about a seven months' supply at the current consumption rate of around 6.5 million tons a month.

Following a declaration of war by this country in early December further steps were taken to curtail output of nondefense goods using critical materials. Output quotas for passenger cars and household appliances were greatly reduced and cessation of output of some other products was ordered as of the end of January. Also, the production and sale of new automobile tires and tubes for civilian use were halted temporarily, pending establishment of a system for controlling their distribution.

Value of construction contracts awarded in November declined sharply from the high level of other recent months, according to figures of the F. W. Dodge Corporation. Awards for privately-financed construction decreased more than seasonally and contracts for publicly-financed projects also declined following a continued large volume of awards since last spring. Total awards in November were about a fifth larger than a year ago, while for the first ten months of the year they were three-fifths larger.

Distribution

Volume of retail trade increased in November following some decline in the previous month. Department store sales, as measured by the Board's seasonally adjusted index, advanced to 115 per cent of the 1923-25 average as compared with 105 in October and 116 in September. Larger sales in November were also reported by variety stores. Sales of automobiles increased somewhat, according to trade reports, but, as in other recent months, new car sales were smaller than output and dealers' stocks rose further.

In the second week of December sales at department stores rose less than seasonally, particularly in the coastal regions.

Freight traffic on the railroads continued in large volume in November and the first half of December. Grain shipments increased considerably and loadings of miscellaneous merchandise, which includes most manufactured products, were maintained at the high level reached several months earlier. Coal loadings declined somewhat, owing in part to temporary shutdowns at some mines. Shipments of most other classes of freight decreased less than is usual at this season.

Commodity prices

Following the entry of the United States into the war, prices of grains, livestock, and foods rose sharply. Prices of most industrial materials traded in the organized markets, being limited by Federal regulation, showed little change. Additional measures to prevent advances in wholesale prices were soon announced for wool and shellac and for such imported foods as cocoa, coffee, pepper, and fats and oils.

Retail food prices, as measured by the Bureau of Labor Statistics' index, increased 1-1/2 per cent further from the middle of October to the middle of November to a level 18 per cent above a year ago. Indications are that retail prices of both foods and other commodities continued to rise in December.

Bank credit

Total loans and investments at banks in leading cities continued to advance during November and the first two weeks of December, owing mostly to increased holdings of Government securities at banks outside New York City. Commercial loans, after showing little net change in November, again increased sharply in the first two weeks of December.

Excess reserves increased through most of the period as a result of Treasury expenditures from Reserve Bank balances, but declined sharply on December 15 when these balances were replenished in connection with the issue of 1.6 billion dollars of new Government securities. Money in circulation has continued to show a marked increase.

Yields on United States Government securities

The yield on 2-1/2 per cent United States Government bonds of 1967-72, which reached a record low level of 2.32 per cent on November 5, advanced somewhat in November and, after the entry of the United States into the war, rose to 2.50 per cent. Yields on short-term Government securities increased further. The yield on Treasury notes of December 1945 advanced to 0.93 per cent on December 17, compared with 0.62 per cent on September 15, and the rate on three-month bills rose to .295 per cent.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

233

R-939

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1941

Dear Sir:

For your information you will find attached a copy of a letter from Honorable Harold L. Ickes, Secretary of the Interior, dated December 10, relating to a survey of solid fuels used by the United States Government, and a copy of the Board's reply of December 20.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

THE SECRETARY OF THE INTERIOR

Washington

December 10, 1941

Hon. Marriner S. Eccles, Chairman,

Board of Governors of the Federal Reserve System.

My dear Mr. Eccles:

This is to request information on the use of solid fuels within your Agency.

The President, in asking me to act as solid fuels coordinator for national defense, specified certain duties, among which is the one to obtain current data on fuel needs. In this regard, it is essential that I have information on fuel requirements of the United States Government which is a large user of coal in particular. A similar request is being sent to the other Federal Agencies.

The information reported will be tabulated to show the fuel consumption of the Government by regions during the present calendar year, stocks on hand at the end of the year, and the estimated requirements for 1942. Enclosed are forms upon which the data may be listed. It is urged that the information be submitted as promptly as possible.

It may happen that the information to be listed in the above forms is not available in your central office and its assemblage will necessitate a canvass of field offices or local installations. For purposes of such a canvass, a special form, S.F.C. No. 4, has been prepared, copies of which will be furnished to your office upon request.

I earnestly recommend that all Agencies of the United States Government plan their fuel purchases to provide a comparatively large supply for storage purposes. Government activities must be protected from interruptions due to temporary fuel shortages caused by disturbances in mining and distribution.

Sincerely yours,

(Signed) Harold L. Ickes

Secretary of the Interior.

December 20, 1941

The Honorable

The Secretary of the Interior.

Sir:

Chairman Eccles has asked me to reply to your letter of December 10 requesting information on the use of solid fuels. It is noted that the information which you desire relates to fuel requirements of the United States Government and that the information reported will be tabulated to show the fuel consumption of the Government by regions.

In view of these statements in your letter as to the purpose of the inquiry, we feel that you should be advised that the requirements of the building occupied by the Board of Governors at 20th and Constitution Avenue in this city for purposes for which solid fuels would be required are met through steam furnished by the Central Heating Plant, electricity furnished by the Potomac Electric Power Company, and gas furnished by the Washington Gas Light Company, so that the Board of Governors does not purchase or carry any stocks of solid fuels.

The Board of Governors, under the provisions of the Federal Reserve Act, has general supervision over the operations of the Federal Reserve Banks, each of which and its branches, if any, are located in one of the twelve Federal Reserve districts of the United States. While these Banks are incorporated under the Federal Reserve Act, the fuel requirements for their buildings are not supplied by the Government and the properties which they occupy are not Government properties.

In the circumstances, it is assumed that it would not serve your purpose to fill out the forms referred to in your letter so far as the Federal Reserve System is concerned.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 24, 1941

Dear Sir:

In accordance with the usual practice, please furnish the Board with a summary statement showing the number and salaries of officers and employees of your Bank (including Branches, if any) as of December 31, 1941, made out in accordance with the attached form. The figures, which should not include any changes in either the number or salaries of officers and employees that become effective on January 1, 1942, will be published in the Board's 1941 annual report. In compiling this statement please include supplemental compensation, if any, in effect or paid December 31, 1941, adjusted to an annual basis.

The summary statement of employees by salary groups, submitted in accordance with the Board's letter of November 23, 1936, X-9746, should also include supplemental compensation, if any, at the rate in effect January 1, 1942, or if no such rate has been established at the rate, if any, in effect on December 31, 1941. The salaries shown in the list of employees on January 1, 1942, also furnished in accordance with the above-mentioned letter, should be exclusive of supplemental compensation, however. A statement as of January 1, 1942, outlining the plan under which any supplemental compensation is being paid will be appreciated.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosure

NUMBER AND SALARIES OF OFFICERS AND EMPLOYEES OF THE
FEDERAL RESERVE BANK OF _____ (INCLUDING BRANCHES)

December 31, 1941

	<u>Total officers and employees including those whose salaries are reimbursed to the bank in whole or in part</u>	<u>Officers and em- ployees (included in column 1) whose salaries are reim- bursed to the bank in whole or in part(a)</u>
Annual salary of President	\$ _____	
Other officers:		
Number	_____	_____
Annual salaries (b)	\$ _____	\$ _____
Employees, both permanent and temporary:		
Number (c)	_____	_____
Annual salaries (b)	\$ _____	\$ _____

- (a) Should represent aggregate of fractional amounts in the case of employees whose salaries are only partly reimbursed to the bank. For example, if 25 per cent of the salary of an employee receiving \$1,200 a year is reimbursed to the bank, .25 should be included in the computation of the "number" of employees, and the amount of salary reimbursed, \$300, should be included in the computation of the annual salaries.
- (b) Including supplemental compensation, if any, adjusted to an annual basis, paid as of December 31, 1941.
- (c) In the case of part-time employees, i.e., employees who are regularly engaged for less than a full day, the "number" reported should represent the portion of the full day worked. For example, if any employee is regularly engaged for one-half of the usual working day, .50 should be included in the computation of the "number" of employees.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning newspapers
of Friday, January 2, 1942

December 31, 1941

The Board of Governors of the Federal Reserve System today announced the following designations and appointments at the Federal Reserve Banks and Branches shown below:

CHAIRMEN AND FEDERAL RESERVE AGENTS FOR YEAR 1942

<u>Federal Reserve</u> <u>Bank</u>	<u>Name of Appointee</u>
New York	Mr. Beardsley Ruml of New York, New York
Philadelphia	Mr. Thomas B. McCabe of Swarthmore, Pennsylvania
Cleveland	Mr. George C. Brainard of Youngstown, Ohio
Richmond	Mr. Robert Lassiter of Charlotte, North Carolina
Atlanta	Mr. Frank H. Neely of Atlanta, Georgia
Chicago	Mr. Frank J. Lewis of Chicago, Illinois
St. Louis	Mr. Wm. T. Nardin of St. Louis, Missouri
Minneapolis	Mr. W. C. Coffey of St. Paul, Minnesota
Kansas City	Mr. R. B. Caldwell of Kansas City, Missouri
San Francisco	*Mr. Henry F. Grady of San Francisco, California

DEPUTY CHAIRMEN FOR YEAR 1942

Boston	Mr. Henry S. Dennison of Framingham Centre, Massachusetts
New York	Mr. Edmund E. Day of Ithaca, New York
Philadelphia	Mr. Warren F. Whittier of Douglassville, Pennsylvania
Cleveland	Mr. R. E. Klages of Columbus, Ohio
Richmond	Mr. W. G. Wysor of Richmond, Virginia
Atlanta	Mr. J. F. Porter of Williamsport, Tennessee
Chicago	*Mr. Simeon E. Leland of Chicago, Illinois
St. Louis	Mr. Oscar Johnston of Scott, Mississippi
Minneapolis	Mr. Roger B. Shepard of Newport, Minnesota
Kansas City	*Mr. Robert L. Mehornay of Kansas City, Missouri
Dallas	Mr. Jay Taylor of Amarillo, Texas
San Francisco	Mr. St. George Holden of San Francisco, California

Federal Reserve
Bank

Name of Appointee

CLASS C DIRECTORS

(Appointed for three-year terms beginning January 1, 1942, unless otherwise stated)

New York	Mr. Beardsley Ruml of New York, New York
Philadelphia	Mr. Winfield W. Riefler of Princeton, New Jersey
Cleveland	Mr. Walter H. Lloyd of Cleveland, Ohio
Richmond	Mr. Charles P. McCormick of Baltimore, Maryland
Atlanta	Mr. Frank H. Neely of Atlanta, Georgia
Chicago	Mr. Simeon E. Leland of Chicago, Illinois
Chicago	*Mr. W. W. Waymack of Des Moines, Iowa, for unexpired portion of three-year term ending December 31, 1942
St. Louis	Mr. Douglas W. Brooks of Memphis, Tennessee
Minneapolis	Mr. Roger B. Shepard of Newport, Minnesota
Kansas City	*Mr. Robert L. Mehormay of Kansas City, Missouri
San Francisco	*Mr. Henry F. Grady of San Francisco, California

BRANCH DIRECTORS

(Appointed for three-year terms; except at the Branches of the Federal Reserve Banks of Cleveland, Minneapolis and San Francisco where the appointments are for two-year terms; beginning January 1, 1942, unless otherwise stated)

Federal Reserve
Bank and Branch

Name of Appointee

New York	
Buffalo	Mr. M. B. Folsom of Rochester, New York
Cleveland	
Cincinnati	*Mr. Francis H. Bird of Cincinnati, Ohio
Pittsburgh	*Mr. Robert E. Doherty of Pittsburgh, Pennsylvania
Richmond	
Baltimore	Mr. W. Frank Thomas of Westminster, Maryland
Charlotte	Mr. Chas. L. Creech, Sr., of Winston-Salem, North Carolina
Atlanta	
Birmingham	Mr. Donald Comer of Birmingham, Alabama
Jacksonville	*Mr. Walter J. Matherly of Gainesville, Florida
Nashville	Mr. Clyde B. Austin of Greeneville, Tennessee
New Orleans	Mr. Alexander Fitz-Hugh of Vicksburg, Mississippi
Chicago	
Detroit	Mr. L. Whitney Watkins of Manchester, Michigan
St. Louis	
Little Rock	*Mr. S. M. Brooks of Little Rock, Arkansas
Louisville	*Mr. E. J. O'Brien, Jr., of Louisville, Kentucky
Memphis	Mr. J. Holmes Sherard of Sherard, Mississippi

<u>Federal Reserve Bank and Branch</u>	<u>Name of Appointee</u>
Minneapolis	
Helena	Mr. H. D. Myrick of Square Butte, Montana
Kansas City	
Denver	Mr. J. B. Grant of Denver, Colorado
Denver	*Mr. M. E. Noonan of Kremmling, Colorado, for unexpired portion of three-year term ending December 31, 1943
Oklahoma City	Mr. Neil R. Johnson of Norman, Oklahoma
Omaha	*Mr. L. E. Hurtz of Omaha, Nebraska
Dallas	
El Paso	Mr. F. M. Hayner of Las Cruces, New Mexico
Houston	Mr. H. Renfert of Galveston, Texas
San Antonio	Mr. J. M. Odom of Austin, Texas
San Francisco	
Los Angeles	Mr. C. V. Newman of Los Angeles, California
Portland	Mr. George T. Gerlinger of Portland, Oregon
Salt Lake City	Mr. Herbert S. Auerbach of Salt Lake City, Utah
Seattle	Mr. Charles F. Larrabee of Bellingham, Washington

*All positions not preceded by an asterisk were filled by reappointment of the present incumbents.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-942



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 31, 1941

Dear Sir:

There are being forwarded to you today, under separate cover, copies of pages 21, 46, and 46-a (and revised pages of Table of Contents) of the "Manual of Instructions Governing the Preparation of Functional Expense Reports (Form E)". These pages have been revised in order to provide for a new unit, "Machine Tabulating", in the General Service function. An additional copy of each of these pages is enclosed for your information. Pages 121-g and 121-h, covering the "National Defense--District Coordinator" and "National Defense--Priorities Division" units, should be eliminated from the Manual.

Revised pages of Form E will be forwarded to you as soon as they are received from the printer.

Very truly yours,

A handwritten signature in dark ink, appearing to read "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-274

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 2, 1941



Dear Sir:

Enclosed herewith for your information is a copy of the Board's letter of July 2, 1941, to the Secretary of the Retirement System of the Federal Reserve Banks approving the resolution relative to the Retirement System status of employees who leave the service of an employing Bank to render special service to a Government department or agency, which was adopted by the Board of Trustees of the Retirement System at its annual meeting on May 6, 1941. Under the Board's approval, payment by the Federal Reserve Banks is authorized of the additional cost, if any, of allowing service credit for previous service as provided for in the last paragraph of the above-mentioned resolution.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
To Mr. W. S. McLarin, Jr., Chairman, Board of Trustees
To Mr. L. R. Rounds, Chairman, Retirement Committee

S-274-a

July 2, 1941

Mrs. Valerie R. Frank, Secretary,
Retirement System of the
Federal Reserve Banks,
33 Liberty Street,
New York, New York.

Dear Mrs. Frank:

This is to advise you that the Board of Governors of the Federal Reserve System approves the resolution relative to the Retirement System status of employees who leave the service of an employing Bank to render special service to a Government department or agency, which was adopted by the Board of Trustees of the Retirement System on May 6, 1941, as reported in your letter of June 25, 1941.

It is understood that under the above-mentioned resolution a special additional benefit will be granted only in the case of an employee who has discontinued service for an employing Bank for a period in excess of two years, and who otherwise would receive no service credit for service rendered prior to his employment by the Government department or agency in question.

Copies of this letter are being sent to Mr. W. S. McLarin, Jr., Chairman of the Board of Trustees, to Mr. L. R. Rounds, Chairman of the Retirement Committee, and to each Federal Reserve Bank.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

244

S-275

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 17, 1941

Dear Sir:

For your information there is enclosed a copy of a letter written to a Federal Reserve Bank with respect to the reemployment of persons retired after reaching age 65. The Board assumes that the Federal Reserve Banks will not reemploy employees who have been retired after reaching age 65 except during periods of emergency and then only for short periods.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-275-a

July 17, 1941

Mr. _____,
First Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This will acknowledge receipt of your letter of July 9 in which you advise the Board that you have reemployed three former employees of your Bank who were retired after reaching age 65, and ask the Board's approval of the payment of salary to the men reemployed.

It is noted that Mr. _____ has been retained as a temporary substitute engineer during the period of vacations instead of hiring an engineer who would not be familiar with your equipment and requirements, and it is assumed that Mr. _____ and Mr. _____ have been employed on a temporary basis and that their services will be dispensed with when the special conditions necessitating their reemployment no longer exist.

In these circumstances the Board will interpose no objection to the payment of salaries to the above named men at the rates stated in the enclosures to your letter of July 9.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

246

S-276

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 22, 1941

Dear Sir:

Enclosed you will find a copy of a letter, dated July 18, addressed to the Board of Governors by the Honorable James V. Forrestal, Acting Secretary of the Navy, and a copy of the Board's reply thereto, requesting the Federal Reserve Banks and branches to make available to Naval officials confidential information in connection with the financial condition and reputation of the management of ship repair and ship building yards.

In all probability you will be visited by Inspectors of Naval Material, Supervisors of Shipbuilding, and Commandants of Naval Districts, requesting this information.

Your cooperation will be much appreciated.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

DEPARTMENT OF THE NAVY
Office of the Under Secretary
Washington

July 18, 1941

Gentlemen:

It becomes frequently necessary for the Navy Department to obtain confidential information in connection with the financial ability and reputation of the management of certain ship repair and shipbuilding yards throughout the continental limits of the United States. This information is used in determining whether or not the Department is justified in awarding contracts to such yards for the construction or repair of Naval vessels.

The Department would appreciate the Board of Governors making available to Inspectors of Naval Material, Supervisors of Shipbuilding and Commandants of Naval Districts the services of the Federal Reserve Banks and branches in obtaining this confidential information upon application of these local representatives.

Very truly yours,

(Signed) Forrestal

Acting Secretary of the Navy

Board of Governors,
Federal Reserve System,
Washington, D. C.

S-276-b

July 22, 1941

Honorable James V. Forrestal,
Acting Secretary of the Navy,
Washington, D. C.

Dear Mr. Forrestal:

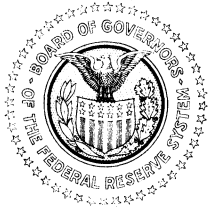
This refers to your letter of July 18 in which you request the Board of Governors to make available to Inspectors of Naval Material, Supervisors of Shipbuilding, and Commandants of Naval Districts the services of the Federal Reserve Banks and branches in obtaining confidential information respecting the financial ability and reputation of the management of certain ship repair and ship building yards throughout the continental United States.

It is the desire of the Board of Governors to be of every possible assistance to the Navy Department in the National Defense Program and it is today asking the Federal Reserve Banks to furnish the confidential information upon request of the above representatives of the Navy Department.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

249

S-277

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 6, 1941

Dear Sir:

Referring to the minutes of the Conference of Presidents held in Washington, D. C. on June 11, 1941, the Board of Governors approves the following action taken by the Presidents:

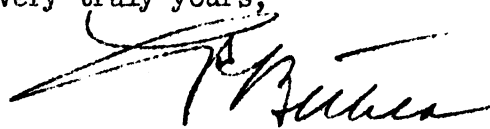
VOTED that it shall be the policy of the Federal Reserve Banks not to furnish credit information concerning individuals, partnerships, associations, and corporations (other than banks), except as follows:

1. Where the furnishing of such information is expressly authorized by Act of Congress; or
2. Where authorized to furnish such information by the source from which the information was obtained; or
3. To the Board of Governors of the Federal Reserve System; or
4. To other Federal Reserve Banks; or
5. To the appropriate officers or agents of the War Department and the Navy Department; or
6. To other departments, agencies, or instrumentalities of the United States Government, but only when the information requested is to be used in connection with the letting or proposed letting of Government contracts.

It is assumed that the Federal Reserve Banks will continue to furnish credit information to the Federal Housing Administration,

when requested, as authorized by the Board of Governors (Loose-Leaf Service #8333).

Very truly yours,

A handwritten signature in dark ink, appearing to read 'L. P. Bethea', with a large, sweeping flourish above the name.

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 1, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letter of June 19, 1941 regarding a question raised by The _____ National Bank of _____ under section 8(a) of the Securities Exchange Act of 1934, which reads in part as follows:

"SEC. 8. It shall be unlawful for any member of a national securities exchange, or any broker or dealer who transacts a business in securities through the medium of any such member, directly or indirectly —

"(a) To borrow in the ordinary course of business as a broker or dealer on any security (other than an exempted security) registered on a national securities exchange except (1) from or through a member bank of the Federal Reserve System, (2) from any nonmember bank which shall have filed with the Federal Reserve Board an agreement, which is still in force and which is in the form prescribed by the Board, undertaking to comply with all provisions of this Act, the Federal Reserve Act, as amended, and the Banking Act of 1933, which are applicable to member banks and which relate to the use of credit to finance transactions in securities, and with such rules and regulations as may be prescribed pursuant to such provisions of law or for the purpose of preventing evasions thereof, or (3) in accordance with such rules and regulations as the Federal Reserve Board may prescribe to permit loans between such members and/or brokers and/or dealers, or to permit loans to meet emergency needs. ..."

The question is, in effect, whether a broker subject to the provision may borrow from a nonmember bank that has not signed the specified agreement if the loan is not obtained directly from the nonmember bank but is made by a member bank acting as agent for the nonmember bank.

As you indicate in your letter, the Board has previously considered the question and in a letter dated December 4, 1934, to Mr. _____, Federal Reserve Agent at _____, the Board has expressed the opinion that such borrowing was not authorized under section 8(a). You have indicated, however, that you are inclined to agree with the contrary view which is urged by The _____ National Bank. The question has accordingly been carefully reconsidered in the light of your letter and the views of the Board on the matter are indicated in some detail below.

It is the view of the Board that section 8(a)(2) states the general rule for borrowings, of the specified type, from non-member banks. It is true that under clause (3) the Board is authorized "to permit loans to meet emergency needs", and that under this authority the Board might conceivably authorize such emergency loans even by nonmember banks that have not filed the specified agreement. Such emergency authorization, however, would not alter the fact that ordinary day-to-day borrowings from nonmember banks are covered by clause (2).

Similarly, the Board feels that the provision in clause (1) for borrowings "from or through a member bank of the Federal Reserve System" should not be construed to authorize a broker to do indirectly what the law clearly forbids him to do directly. Such a construction of the provision would, in the opinion of the Board, extend the meaning of the word "through" considerably beyond that which it might reasonably be expected to have in the context.

It is perhaps not entirely clear why the word "through" was included in clause (1), or why it was omitted in clause (2). However, it may have been included to authorize, or to clarify, borrowings by a broker from a member bank when the member bank is acting as agent for another member bank or for a nonmember bank that has signed the agreement. Such a construction would seem to be more in conformity with the general purpose and tenor of the section than would the suggested extension of the term.

The Committee reports on the legislation and the drafts of the provision in the bills that preceded the final statute have been carefully examined for any light they might throw on the question, and the Board is unable to see how these conflict with the views expressed above. In fact, they seem to reinforce the conclusion.

As originally introduced by Senator Fletcher on February 9, 1934 (S. 2693) and Congressman Rayburn on February 10, 1934

(H.R. 7852) the provision on the point in both bills entirely excluded borrowings from nonmember banks and did it in a form somewhat different from that of later drafts. The identical provision in both these bills provided that it would be unlawful for the specified persons:

"(a) To borrow on any security registered on a national securities exchange from any person other than a member bank of the Federal Reserve System;"

The word "through" first appeared in H.R. 8720, introduced by Congressman Rayburn on March 19, 1934. Section 7(a) of that bill prohibited the specified borrowing:

".... except (1) from or through a member bank of the Federal Reserve System, or (2) in accordance with such rules and regulations as the Federal Reserve Board may prescribe to permit limited loans between members and/or brokers or dealers who transact a business in securities through the medium of a member, or to permit loans from or through others than member banks in localities where there are no member banks, or to meet emergency needs."

Section 8(a) of S. 3420, introduced by Senator Fletcher on April 20, 1934 and reported out by the Senate Banking and Currency Committee on the same day, contained substantially the same provision. The Committee report on the bill strongly negatives any thought that the word "through" was intended to have the meaning suggested by The _____ National Bank. Instead, it rather indicates that the word was used more or less as a synonym for "from" and was intended to add very little to that term. The report at page 7 says that the provision:

".... prohibits brokers and dealers from borrowing except through a member bank of the Federal Reserve System or in accordance with regulations of the Commission".

And on page 16 the report states that the provision confines the specified borrowings to:

".... loans from member banks of the Federal Reserve System and loans from other sources made in accordance with such rules as the Commission may prescribe, either in general or under particular conditions."

It seems clear that the terms "from" and "through" were considered to be more or less synonymous and interchangeable.

Section 7(a) of H.R. 9323, introduced by Congressman Rayburn on April 25, 1934 and reported out on April 27, 1934 by the House Committee on Interstate and Foreign Commerce, contained a provision identical with section 8(a) of the final Act. The Committee report on this bill, like that on the Senate bill, gives every indication that "from or through" was intended to refer only to the usual direct banking relations, and that the word "through" was not intended to have the extended meaning now suggested by The _____ National Bank. On page 7 the report states that:

"Borrowings by brokers to finance their customers are confined to borrowings from or through member banks of the Federal Reserve System or those nonmember banks which apply for a license from the Board."

Far from giving the suggested broad meaning to the word "through", the Committee did not even draw any distinction between clause (1), where the word "through" is used in authorizing borrowings from member banks, and clause (2), where the word is entirely omitted in authorizing borrowings from nonmember banks. The same is true when the provision is described in more detail on pages 19-20, as follows:

"By subsection (a), borrowing on registered securities (other than exempted securities) by members, brokers, and dealers who do a business through members is confined to loans from member banks of the Federal Reserve System or from nonmember banks which agree to comply with the provisions of this act, the Federal Reserve Act, and the Banking Act of 1933, insofar as they relate to the use of credit to finance transactions in securities. This, however, is subject to certain exceptions in case of transactions between members, brokers, and dealers and in emergency cases." (Underscoring added)

In view of these considerations, which have been set forth at some length because of the novelty of the question and the Board's reexamination of the matter, the Board believes that section 8(a) does not authorize ordinary borrowings from a nonmember bank which has not filed the specified agreement and that this is not altered by the fact that the loan is made by a member bank acting as agent for the nonmember bank.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

255

S-279

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 13, 1941

Dear Sir:

For your consideration there is attached a copy of a letter dated August 6, 1941, from the Adjutant General's Office of the War Department in regard to identification of representatives of Government agencies who call upon officials of public utilities and other companies for information. We have acknowledged receipt of this communication and have advised the War Department that it is being brought to the attention of the Federal Reserve Banks.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-279-a

WAR DEPARTMENT
The Adjutant General's Office
Washington

August 6, 1941

Chairman, Board of Governors,
Federal Reserve System,
Washington, D. C.

Dear Mr. Chairman:

Reports have been received by the War Department that individuals representing Government agencies have called upon officials of public utilities and other companies for information concerning their plants, and have failed to offer satisfactory authorization for their inquiry or, in some cases, have failed properly to identify themselves.

With a view to the maintenance of cordial relations with such companies, and to the saving of time effected by elimination of demand for credentials from persons who have occasion to seek information which plant managements may consider confidential, it is requested that instruction be issued to your subordinates that they preface requests for such information with complete personal identification and with evidence of the authorization of the project for which the information is desired.

Very truly yours,

(Signed) E. S. Adams

Major General,
The Adjutant General.R E S T R I C T E D

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

August 27, 1941

Young - Boston
 Sproul - New York
 Williams - Philadelphia
 Fleming - Cleveland
 Leach - Richmond
 McLarin - Atlanta

Young - Chicago
 Davis - St. Louis
 Peyton--- Minneapolis
 Leedy - Kansas City
 Gilbert - Dallas
 Day - San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"Work is in progress on a home modernization job which cannot be completed by August 31. Prior to the issuance of Regulation W or the signing of Executive Order 8843 under which Regulation W was issued, a lender made a written commitment to finance the modernization upon its completion. When the work is completed in due course after September 1, may it be financed pursuant to the pre-September commitment, or must the financing comply with the 18-months limitation stated in the Supplement to the regulation? Would it make any difference whether the credit was instalment sale credit instead of instalment loan credit?"

It is the opinion of the Board that in such a case of a bona fide written pre-September commitment, which is in effect a contract to make a contract and which involves no effort to evade the regulation, section 9(d) permits the modernization to be financed pursuant to such commitment even though the loan is not made until after September 1. The same result would follow in such a case whether the credit was instalment sale credit or instalment loan credit.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

August 27, 1941

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"In connection with a contract for the modernization of a building, a written commitment is made on September 2, 1941 for a loan which will be subject to Regulation W and is to be made when the work is completed. The construction and installations involved in the modernization are expedited as much as circumstances will permit, and are completed on October 10, when the loan is made on the certificate of completion. In calculating the 18-months maximum maturity permitted for the credit, should September 2 or October 10 be taken as the base? Would it make any difference if the credit was instalment sale credit instead of instalment loan credit?"

The Board is of the opinion that in the specified case the date to be used as the base for calculating the 18-months maximum maturity is October 10. This would hold true whether the credit is instalment sale credit or instalment loan credit.

(Signed) Chester Morrill

MORRILL

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 27, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

Re Regulation W inquiry on furniture, if furniture is of the type used in households it is subject to the regulation and it does not matter that the particular piece may be sold for use in an office, hospital, store, or other commercial building.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 27, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

Re Regulation W inquiry on cooking stoves and ranges, an oven or a broiler is considered a heating surface if it has a separate source of heat, as, for example, a separate burner or electric element, but if oven and broiler have a separate source of heat in common it is considered that there is but one heating surface. Neither is considered a heating surface if its source of heat is a central firebox.

(Signed) Chester Morrill

Morrill

S-284
Reg. W-5

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 28, 1941

TELEGRAM

Young - Boston	Leach - Richmond	Peyton - Minneapolis
Sproul - New York	McLarin - Atlanta	Leedy - Kansas City
Williams - Philadelphia	Young - Chicago	Gilbert - Dallas
Fleming - Cleveland	Davis - St. Louis	Day - San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"Pursuant to an established bona fide business practice a finance company issues and sells notes which are secured by instalment sales obligations trustee under a collateral trust agreement. It is not feasible for a purchaser of the collateral trust notes to examine the underlying obligations held by the trustee. Suppose one of the underlying instalment obligations failed to comply with the requirements of Regulation W and such noncompliance, although unknown to the purchaser of the collateral trust notes, showed on the face of the underlying instalment obligation. Would the purchase of the collateral trust note in such a case, or the receipt of payments on the note, constitute a violation of Regulation W?"

The regulation does not apply to the purchaser unless he is a person required by section 3(a)(1) to be licensed. If he is such a person, the payments received, according to the question as stated, arise out of the collateral trust note rather than the underlying obligation and under section 9(e) the regulation does not apply to such payments.

Even if the transaction were such that the payments arose out of the underlying obligation rather than the collateral trust note the receipt of payments by the registrant purchasing the note secured by such underlying obligation would not be contrary to the regulation if when he made the purchase the underlying obligation

did not on its face show some noncompliance or if he did not at that time know some fact by reason of which the extension of credit on which the underlying obligation was based failed to comply with the regulation. In this connection it will be noted that while 4(f) requires that extension of instalment sale credit be evidenced in the prescribed manner, this does not require that the obligation or claim referred to in section 3(a)(2)(B) shall contain all the prescribed information, since under section 4(f) the evidence of the underlying transaction which must contain the necessary information, or have such information attached, may be a separate instrument or record and need not be the same as the obligation or claim referred to in section 3(a)(2)(B).

(Signed) Chester Morrill

Morrill

S-285
Reg. W-6INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 28, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

The classification mechanical refrigerators includes frozen food cabinets of the specified capacity but does not include milk coolers, assuming that they are not designed for household use.

(Signed) Chester Morrill

Morrill

S-286
Reg. W-7

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 28, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

Tumbler clothes driers are not included in any of
the classifications of listed articles.

(Signed) Chester Morrill

Morrill

S-287
Reg. W-8

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 28, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

In connection with section 9(d) of Regulation W exempting contracts made before September 1, questions have been received as to whether orders received through the mail by a mail order company come within the exemption if the orders are postmarked prior to September 1 but in the usual course of business are not filled until after that date. The standing practice of the company has been to fill all such mail orders according to the terms of the catalog, subject only to the right of the company to refuse to fill the order for certain specified reasons such as unsatisfactory credit standing of the customer. If such orders are received in good faith pursuant to an outstanding catalog and without personal solicitation, it is the view of the Board that those postmarked before September 1 may be deemed to be exempted under section 9(d) even though in the usual course of business they are not filled until after that date.

(Signed) Chester Morrill

Morrill

S-286
Reg. W-9

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 29, 1941

TELEGRAM

Federal Reserve Bank of

Boston	Richmond	Minneapolis
New York	Atlanta	Kansas City
Philadelphia	Chicago	Dallas
Cleveland	St. Louis	San Francisco

The classification household furniture includes
lamps designed for household use.

(Signed) Chester Morrill

Morrill

S-289
Reg. W-10

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 29, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"Coupons serve as money within a department store and are sold by store on instalment basis with maturity shorter than prescribed in Regulation but down payments are smaller than required by Regulation. May coupons purchased for 10 per cent down and 8 months to pay be used for purchase of vacuum cleaner requiring 20 per cent down payment."

Board is of opinion that for purposes of applying Regulation W face value of coupon is not material but that consideration should be given only to amount of money actually paid by purchaser.

Accordingly sale of vacuum cleaner would not comply with Regulation if sufficient money to constitute required down payment had not been paid before sale, whether money was paid for coupons or otherwise.

(Signed) Chester Morrill

Morrill

S-290
Reg. W-11

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 29, 1941

TELEGRAM

Federal Reserve Bank of
Boston
New York
Philadelphia
Cleveland

Richmond
Atlanta
Chicago
St. Louis

Minneapolis
Kansas City
Dallas
San Francisco

Question has been raised as to effect of September 1 holiday upon the effective date of Regulation W. Fact that this is holiday does not alter effective date of regulation, which becomes effective at beginning of business on September 1.

(Signed) Chester Morrill

Morrill

S-291
Reg. W-12INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 30, 1941

TELEGRAM

Young - Boston	Leach - Richmond	Peyton - Minneapolis
Sproul - New York	McLarin - Atlanta	Leedy - Kansas City
Williams - Philadelphia	Young - Chicago	Gilbert - Dallas
Fleming - Cleveland	Davis - St. Louis	Day - San Francisco

Certain questions have been received regarding the status under Regulation W of commitments made prior to September 1 to extend credit after September 1. Section 9(d) of the regulation exempts "any valid contract made prior" to September 1. An earlier ruling of the Board has indicated that this exemption applies to a written commitment made prior to September 1 with respect to a modernization job that is in process on August 31. In order to clarify further the application of this provision to outstanding commitments, certain general principles applicable to such commitments are set out below.

1. The underlying principle is that the exemption in section 9(d) for "any valid contract" made before September 1 applies not only to an extension of credit actually made before that date, but also to a valid contract to make a contract. The exemption, therefore, includes a valid commitment made in good faith before September 1 to extend credit after September 1, and includes also the credit extended pursuant to such a commitment.

2. In order for the exemption to apply there must have been a valid contract. The general test is that the borrower should, in the absence of the regulation, have been able to maintain a suit for damages if the credit had not been granted pursuant to the contract. Some of the requirements for such a contract may be briefly summarized: (a) Even an exact agreement on the sale of a particular article is not necessarily an agreement to extend credit therefor. There must have been a valid contract relating to the credit. Where there is ambiguity as to whether the contract included credit arrangements, relatively little proof would be needed in the case of a contract for a unique or "custom built" item, as for example a home modernization job, to show that the contract did include credit arrangements; but in the case of a standard article the presumption

would be strongly the other way. (b) There must in any case be considerably more than general negotiations or indefinite "understandings" that the credit would be extended. There must have been an agreement to extend the credit and a reasonably exact agreement as to terms and amount. (c) While not always essential, the case is much clearer if there is written evidence of the commitment. The time as of which the extension of credit is itself dated is not important, the significant date being that of the prior commitment.

3. Substance and good faith rather than technicalities and formalities control in determining whether there is a valid pre-September contract. The most elaborate written documents do not constitute such a contract unless they represent a bona fide commitment made as a part of a regular business transaction and not as a means of evading the regulation.

(Signed) Chester Morrill

Morrill

S-292
Reg. W-13

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 30, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

The classification household furniture includes mirrors, unpainted furniture, stools, kitchen or breakfast room sets, porch tables, chairs, and swings, and kitchen cabinets but does not include pictures or clothes hampers.

(Signed) Chester Morrill

Morrill

S-293
Reg. W-14

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 30, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

The following articles are not included in any of the classifications of listed articles: toasters, food mixers, roasters, air circulating or ventilating fans other than attic fans or air conditioners, waffle irons, clocks, carpet sweepers not electrically operated.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 30, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

Section 4(d) of Regulation W does not permit sale of listed article for payment in five equal instalments spaced at three month intervals.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

August 30, 1941

TELEGRAM

Young - Boston
 Sproul - New York
 Williams - Philadelphia
 Fleming - Cleveland
 Leach - Richmond
 McLarin - Atlanta

Young - Chicago
 Davis - St. Louis
 Peyton - Minneapolis
 Leedy - Kansas City
 Gilbert - Dallas
 Day - San Francisco

A case has been presented to the Board in which a dealer selling a listed article in Group D does not take a note from the purchaser payable to the dealer, but instead, according to arrangements with a bank, takes from the purchaser a note payable to the bank. Since the note is not secured by the listed article, the question has been presented whether the transaction is an extension of instalment sale credit subject to section 4, in which case a down payment would be required, or whether the transaction is an extension of unsecured instalment loan credit subject to section 5(b), in which case the down payment would not be required.

The question is covered by section 2(d) of the regulation. That section defines an "extension of instalment sale credit" as an extension of instalment credit which is made "by any seller" and "arises out of the sale of such listed article", and it specifically states that the definition applies whether the seller is acting "as principal, agent or broker".

It is accordingly clear that the extension of credit here in question is an extension of instalment sale credit, and as such is subject to the down payment requirement.

(Signed) Chester Morrill

Morrill



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

275

S-296

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 2, 1941

Dear Sir:

Mr. Allan Sproul, Chairman, Presidents' Conference Committee on Defense Savings Securities, has furnished the Board with copies of his correspondence with you with respect to the Defense Savings Bond Program.

It is noted that all Federal Reserve Banks have now assigned officers to establish and maintain contact with the Defense Savings Bond organizations in the States of their Districts. It is also noted that Mr. Sproul has advised you of the names of the members of the staff of the Board of Governors who, under the general direction of Governor McKee, will maintain contact with the Defense Savings Bond organization at Washington and between that organization and the Federal Reserve Banks.

Mr. Sproul indicates in one of his letters that, if the experience in the Second District is at all typical, he thinks it will be found that the State organizations willingly accept the cooperation of the Reserve Banks and that they should be able to help the State committees in organizing their work and, where the work is already organized, in furthering their sales program.

In order that the Board may be kept currently informed as to the part the Federal Reserve Banks are taking in connection with the Defense Savings Bond Program, it will be appreciated if you will advise the Board what steps have been taken to establish and maintain contact with the Defense Savings Bond organizations in the States of your District and furnish it, not later than the tenth of each month, with a brief statement of the activities of the liaison officer at your Bank in connection with the Program.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

S-297
Reg. W-17

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 2, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

The classification "household furniture" does not include china dinner sets, stainless steel cooking utensil sets, or silver-plated flatware.

(Signed) Chester Morrill

Morrill

S-298
Reg. W-18

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 2, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

The classification "household electric organs" includes electronic instruments and electric action instruments designed for use in homes. It does not include ecclesiastical models the cases of which are specially designed for use in churches or for similar use.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 2, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

In order to clarify the status of renewals, revisions and consolidations (or "add-ons") under Regulation W during the period until November 1, when sections 8(a) and 8(b) on these subjects become effective, certain general principles applicable to such transactions during this period until November 1 are set out below:

1. Any instalment credit which was originally extended before September 1 may be renewed or revised once on or after September 1 on any terms which the Registrant would have granted in good faith in the absence of the regulation. In the case of the renewal or revision of a credit which was originally extended on or after September 1, or the renewal or revision of a credit which was originally extended before September 1 but has already been renewed or revised (or consolidated with a new credit) on or after September 1, the credit as renewed or revised may not have a maturity beyond 18 months from the date of the renewal or revision. This 18-months limitation, however, does not apply to a renewal or revision which relates to an obligation of a member of the armed forces of the United States incurred prior to his induction into the service, or which is necessary for the Registrant's protection in connection with an obligation which is in default and is the subject of bona fide collection effort by the Registrant.

2. The mere act of consolidating two separate obligations, or of "adding-on" one obligation to another, can confer no greater privileges than would apply if the obligations were treated separately. Accordingly, any new extension of credit which would be subject to a down payment requirement if made alone, is subject to the same requirement if consolidated with, or "added-on" to, an outstanding obligation.

3. Similarly, in determining the terms of repayment permissible when an extension of credit is consolidated with, or "added-on" to, an outstanding obligation of the same obligor, it is necessary to consider (a) the terms on which the outstanding obligation could be renewed or revised (for that is what its consolidation may in effect accomplish), and (b) the terms required for the additional extension of credit if it stood alone. The consolidated obligation may not provide for repayment at a slower rate than would have been permissible if the outstanding obligation were revised as permitted by the regulation and the new credit were extended in accordance with the regulation but the two credits were not consolidated.

4. While sections 8(a) and 8(b) which require a statement of necessity in certain cases do not become effective until November 1, section 8(g) of the regulation, which is in full effect beginning September 1, prohibits any extension of instalment credit in connection with which there is any evasive side-agreement for the subsequent renewing or revising of the credit. Therefore, any extension of instalment sale credit or instalment loan credit made on or after September 1 cannot be the subject of any contemporaneous agreement, arrangement or understanding by which renewals or revisions are to be used as a means of evading the requirements of the regulation. Any renewal or revision must be the bona fide result of developments coming after the making of the original extension of credit. Unless it is such a bona fide result of a subsequent development, it is prohibited by section 8(g).

(Signed) Chester Morrill

Morrill

S-300
Reg. W-20

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 3, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The classification "mechanical refrigerators" does not include coin operated machines for dispensing beverages or coolers designed for the purpose of holding bottled beverages offered for sale even though they are of less than twelve cubic feet rated capacity.

(Signed) Chester Morrill

Morrill

S-301
Reg. W-21

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 3, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The classification "water pumps designed for household use" includes water system pumps which are either shallow-well or reciprocating deep-well pumps having a rated capacity of 300 gallons per hour or less, or deep-well jet type or centrifugal pumps operated by motors having a rating of 1/3 horsepower or less. The actual use to which the pumps are put does not affect the classification.

(Signed) Chester Morrill

Morrill

S-302
Reg. W-22

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 3, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

Re ruling number six the classification "mechanical refrigerators" does not include frozen food cabinets designed for the display of frozen foods offered for sale but does include frozen food cabinets designed for the home freezing of foods or for the home storage of frozen foods.

(Signed) Chester Morrill

Morrill

S-303
Reg. W-23

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 4, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The following articles are not included in any of the classifications of listed articles: Automobile trailers whether designed for use as living quarters or otherwise, or motor vehicles designed for use as ambulances or hearses.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OF REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 4, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

Inquiries have been received as to whether Regulation W limits the amount of an instalment loan (as distinguished from the maturity of the loan) when the Registrant knows the loan is for the purpose of purchasing a listed article but the listed article is not pledged as collateral for the loan. The answer is that unless an extension of instalment credit is made by the seller of the listed article (whether as principal, agent or broker) as described in section 2(d), or unless the extension of instalment credit is secured, or to become secured, by a recently purchased listed article as described in section 5(a), the present regulation does not limit the amount of the credit (as distinguished from its maturity) regardless of the lender's knowledge that it is to be used to purchase a listed article.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 4, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"May first mortgage under section 6(a) be considered 'first lien' even though a prior lien for current taxes not due and payable exists under State law?"

The Board is of the opinion that in such a case the first mortgage is a "first lien" under section 6(a).

(Signed) Chester Morrill

Morrill

S-306
Reg. W-26INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 5, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

"First lien" referred to in section 6(a) of Regulation W means any first lien created by agreement of the parties at the time of or as an incident to the extension of credit, including first mortgages, first deeds of trust, and the like. It does not, however, include a lien arising by operation of law, independently of such an agreement, under statutes such as those designed to protect furnishers of labor or material. A lien of the kind existing in some jurisdictions which is sometimes referred to as a mechanic's lien but which is a first lien created by agreement of the parties, and not by operation of law under a statute, is a "first lien" under section 6(a).

(Signed) Chester Morrill

Morrill

S-307
Sec. 4, FRA-3

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 4, 1941

(Telegram addressed to the President
of a Federal Reserve Bank)

Referring your telephone inquiry Board is of the opinion that Federal Reserve Act is not to be construed as preventing a Class C director of a Federal Reserve Bank from serving as a director of the Central Bank for Cooperatives.

(Signed) Chester Morrill

Morrill

S. 308
Reg. W-27

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 5, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

Extension of credit "secured by a bona fide first lien on improved real estate duly recorded" is exempted by section 6(a) of Regulation W even though the purpose of the credit is to purchase a listed article. For example, if the credit is secured by such a first lien it is exempt even though part of the credit is for the purpose of purchasing a furnace to be installed in the mortgaged property and even though the lien does not extend to the furnace. Conversely, if a portion of the credit involved in the transaction is not secured by the lien, the exemption does not apply to that portion of the credit.

(Signed) Chester Morrill

Morrill

S-309
Reg. W-28

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 5, 1941

TELEGRAM

Federal Reserve Bank of

Boston	Richmond	Minneapolis
New York	Atlanta	Kansas City
Philadelphia	Chicago	Dallas
Cleveland	St. Louis	San Francisco

Although W-19 dealt generally with renewals and revisions made during September and October, questions have been received regarding renewals or revisions made on or after November 1, of credits which were originally extended before September 1.

The controlling principle in such cases is that credit originally extended before September 1 may be renewed or revised once at any time on or after September 1 without the statement of necessity referred to in section 8(a) and on any terms which the Registrant would have granted in good faith in the absence of the regulation. This is the case whether such first renewal or revision of a pre-September credit occurs before November 1 (as discussed in W-19) or after November 1. When a pre-September credit has been once renewed or revised on or after September 1, whether such renewal or revision occurs before or after November 1, any subsequent renewal or revision is subject to the same requirements which would apply if the credit being renewed or revised had originally been extended on or after September 1. As indicated in W-19, the consolidation of a pre-September credit with a new credit has the same effect, for the purposes of this question, as a renewal or revision of the pre-September credit.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 5, 1941

TELEGRAM

Federal Reserve Bank of		
Boston	Richmond	Minneapolis
New York	Atlanta	Kansas City
Philadelphia	Chicago	Dallas
Cleveland	St. Louis	San Francisco

The question has been asked whether, in view of W-5, Registrant who is purchaser or pledgee of obligation or claim subject to Regulation is required by section 3(a)(2)(B) to receive a copy of the statement of the transaction required by section 4(f). Answer is that purchaser or pledgee is not required to receive this statement. Section 4(f) provides that there shall be a written instrument or record of the transaction which shall contain certain information and of which a copy shall be given to the obligor, but this instrument or record is not necessarily the same document as the "obligation or claim" which is discounted or accepted by the Registrant under section 3(a)(2)(B).

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 5, 1941

TELEGRAM

Federal Reserve Bank of

Boston

New York

Philadelphia

Cleveland

Richmond

Atlanta

Chicago

St. Louis

Minneapolis

Kansas City

Dallas

San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"A mortgagee, who has made a loan of \$2,000 secured by a first mortgage, advances \$400 more to the same borrower but instead of combining the two transactions into one debt secured by one mortgage, the lender takes another note and a second mortgage. Can the latter mortgage be regarded as a 'first lien' within the meaning of section 6(a)?"

The Board is of the opinion that the second mortgage securing the additional loan of \$400 may not be regarded as a "first lien" within the meaning of section 6(a).

(Signed) Chester Morrill

Morrill

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-312

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



September 6, 1941

Dear Sir:

During the latter part of 1938 and early part of 1939 the Board gave considerable thought to the difficulties experienced in passing upon changes in officers' salaries at all Federal Reserve Banks and Branches within a comparatively short period at the beginning of the year, and in 1939 advised the Federal Reserve Banks that it had decided to review the salaries of officers in the months of March, April, and May of each year, such salaries to become effective on the first of the following month.

It is believed that the revised procedure has been mutually advantageous to the Reserve Banks and the Board of Governors, particularly in relieving some of the pressure around the end of each year. There appears to be some uncertainty on the part of the Reserve Banks, however, as to just what information is desired by the Board in connection with officers' salaries under the revised procedure and when it should be submitted. Accordingly, it is requested that the following data be furnished the Board as early as practicable in March, April, or May of each year:

1. A list of all officers as of March 1, April 1, or May 1 (depending on whether their salaries are reviewed by the Board in March, April, or May) showing in the case of each officer (a) name; (b) title; (c) principal departments supervised (Form A classification); (d) present annual salary; and (e) annual salary for the year beginning on the first of the following month as fixed by your board of directors subject to the approval of the Board of Governors. If the Bank's counsel is not an officer of the Bank, his annual retainer fee should be shown separately.
2. In the case of each officer for whom an increase in salary is recommended a statement of changes in his duties and responsibilities since his last increase in salary and of any other factors that have a material bearing on the proposed increase.

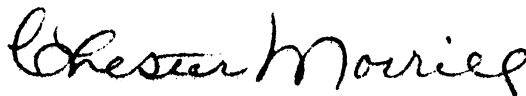
3. A copy of the current organization chart of the Reserve Bank including Branches, if any.

From time to time the Reserve Banks have found it desirable, because of resignations or otherwise, to make certain changes in positions of officers during the year. Since the Board's approval of salary for a given officer is contingent upon his occupying a specific position, it is requested that whenever an officer is assigned to another position (change in title) his salary be fixed by the board of directors for the new position subject to the approval of the Board of Governors. The Board would also appreciate receiving current advice of any major changes in the duties of an officer which do not involve a change in either title or salary.

You may wish to review the provisions of the by-laws of the Bank that relate to the election or appointment of officers and the fixing of their salaries and consider whether any changes appear necessary or desirable as a result of the changed procedure.

This letter supplements the Board's letter of June 16, 1939, and supersedes and cancels all previous letters, instructions, etc. relating to the submission of officers' salaries to the Board, except that it should not be construed to change in any way the present practice of taking up informally in advance with the appropriate member of the Board any important adjustments contemplated in official salaries.

Very truly yours,



Chester Morrill,
Secretary.

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS

S-313
 Reg. W-31
 through
 Reg. W-39

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 6, 1941

TELEGRAM

Federal Reserve Bank of
 Boston
 New York
 Philadelphia
 Cleveland

Richmond
 Atlanta
 Chicago
 St. Louis

Minneapolis
 Kansas City
 Dallas
 San Francisco

The following are inquiries received under Regulation W, and Board's answers thereto:

W-31. Question: Is consumer who knowingly violates or induces violation of regulation subject to criminal penalties? Answer: Knowing participation in violation may subject offender to criminal penalties.

W-32. Question: Section 8(f) line 6, do words "any other extension of credit" mean any other extension of instalment credit? Answer: Words quoted include but are not confined to other extensions of instalment credit.

W-33. Question: May a new furnace be purchased without down payment in emergency situations? Answer: Exceptions to down payment requirements are those stated in section 6, none of which extend to the situation described, and the exception inherent in section 5(b).

W-34. Question: Suppose bank loans on instalment basis or otherwise to a finance company secured by instalment contracts on listed articles. Must bank look to regularity of security? If bank is not required to examine each item of collateral, what is purpose of section 3(a)(2)(B)? Answer: So long as bank's payments arise only out of the loan as distinguished from the underlying obligation, it need not investigate underlying collateral. This is so that lender who takes such collateral will not be in worse position than one who lent unsecured. However, if and when lender attempts to obtain payments which arise out of the underlying obligation, i.e., to enforce the underlying obligation as distinguished from the loan, the lender is forbidden to receive the payments unless requirements of section

3(a)(2)(B) were met. This is so that registrant who loans upon instalment obligations will not be in more favorable position than one who discounts or purchases the obligation. To extent that registrant is willing to assume the business risk, he may lend on instalment obligation without inspection, realizing the disabilities which may appear later if it should become necessary to disregard loan and rely upon underlying instalment obligations. See W-5.

W-35. Question: If bank makes instalment loan under \$1,000, either secured by listed article or not secured at all, must bank take statement as to proposed use of proceeds of loan? Answer: Registrant is not required to take statement as to proposed use of proceeds in such cases irrespective of whether loan is secured by listed article. However, statement accepted in good faith by registrant will protect registrant as mentioned in 8(c) and in similar provisions.

W-36. Question: May bank make loan secured by listed article owned more than 45 days in order to make down payment on new listed article? Answer: Section 8(f) does not prohibit making a loan which will serve as down payment. It merely applies to registrant who is required to obtain the down payment (or required to limit loan to maximum credit value) and prohibits him from making the extension of credit if he knows or has reason to know of side loan for making the down payment.

W-37. Question: May bank make loan secured by listed article owned more than 45 days in order to pay in full the cash purchase price of a new listed article? Answer: Yes.

W-38. Question: Customer purchases from same seller listed articles on several different days. All purchases are put on open charge account without down payments with the understanding that when last article is purchased a definite contract will be made. If all purchases go into a single contract must the entire contract be dated back to the date of purchase of first article and must the 18 months run from that earliest date? Answer: If intention is for instalment payments, down payments should be obtained at times of different purchases. Similarly, 18 month maximum maturities would date from different purchases and need not go back to purchase of first article.

W-39. Question: When borrower makes bank loan on straight note for six months not payable in instalments is there anything in regulation to prohibit an agreement at the time of making the loan to renew the loan at the end of six-months period or at subsequent due dates? Answer: Question is not entirely clear and answer would depend on all relevant circumstances. There is nothing to prohibit agreement for renewal if renewal is to be made without reduction. However, if agreement is that renewal is to involve a reduction, loan would seem to be instalment credit and subject to requirements of the regulation.

(Signed) Chester Morrill

Morrill

S-314
Reg. W-40

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 8, 1941

TELEGRAM

Young - Boston	Young - Chicago
Sproul - New York	Davis - St. Louis
Williams - Philadelphia	Peyton - Minneapolis
Fleming - Cleveland	Leedy - Kansas City
Leach - Richmond	Gilbert - Dallas
McLarin - Atlanta	Day - San Francisco

The Board has been asked to distinguish between "Heating stoves and space heaters designed for household use" and "Household furnaces". For purposes of Regulation W, the heat generating unit is a heating stove or space heater when it is designed to heat directly the space in which it is located; the heat generating unit is a furnace when it is designed for the transmission of heat by means of piping or ducts to the space which is to be heated. If a unit is designed to heat directly the room in which it is located and other rooms by piping it is to be classified as a furnace.

(Signed) Chester Morrill

Morrill

S-315
Reg. W-41

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 3, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The classification "Heating stoves and space heaters designed for household use" includes gas-fired floor furnaces even though they are permanently built into the floor. This classification also includes small portable electric heaters.

(Signed) Chester Morrill

Morrill

S-316
Reg. W-42

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 8, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The classification "mechanical refrigerators" does not include mechanically refrigerated cabinets specifically designed for the storage of ice cream or other food products offered for sale.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 9, 1941

Young - Boston	Leach - Richmond	Peyton - Minneapolis
Sproul - New York	McLarin - Atlanta	Leedy - Kansas City
Williams - Philadelphia	Young - Chicago	Gilbert - Dallas
Fleming - Cleveland	Davis - St. Louis	Day - San Francisco

Questions have been received regarding the application of Regulation W to extensions of instalment sale credit in cases in which there is delay in the delivery of the article sold, or in which time is required for the completion of a job of installation or construction.

The general principle applicable to these cases is that if the delay in the delivery of the article or in the completion of the job is bona fide and is not for the purpose of evading any of the provisions of the regulation, the date of delivery or completion may be used as the base for applying the requirements of the regulation. Hence the down payment could be obtained in such cases at any time on or before such date of delivery or completion. Similarly, the 18-months maximum maturity in such cases could be calculated from such date of delivery or completion with, of course, the usual option under section 9(b) of making the 15-day adjustment permitted by that section for calculating the maximum maturity.

For any such case in which any date later than the date of the contract between the seller and the purchaser is used as the base for applying the requirements of the regulation, it would be advisable for the Registrant's records to indicate clearly the facts justifying such use of a later date.

A related question received by the Board deals with progress payments under a contract for the installation of a heating system, or under a contract for a similar construction job. Payment is to be made for the installation or construction as the job progresses. Each payment is to be made at the completion of a specified portion of the job and is to be approximately equal to the cost of that portion, the final payment being made at the completion of the job. If such an arrangement is a bona fide business practice which is followed for the convenience of the parties concerned and is not an effort to evade any of the provisions of Regulation W, the regulation does not require any change in the procedure.

(Signed) Chester Morrill

Morrill

S-318
Reg. W-44

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 9, 1941

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The classification "ironers designed for household use" does not include hand irons, whether electrically or otherwise operated.

(Signed) Chester Morrill

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 10, 1941

TELEGRAM

Young - Boston
 Sproul - New York
 Williams - Philadelphia
 Fleming - Cleveland
 Leach - Richmond
 McLarin - Atlanta

Young - Chicago
 Davis - St. Louis
 Peyton - Minneapolis
 Leedy - Kansas City
 Gilbert - Dallas
 Day - San Francisco

The phrase "principal amount" in section 5(b) of Regulation W means the principal amount lent to the obligor, excluding any interest, finance charges, service charges and insurance costs, whether or not deducted in advance.

For example, if a borrower receives \$975 but signs a note on a discount basis for \$1,020, the loan is in a "principal amount" of less than \$1,000 within the meaning of section 5(b).

MORRILL

S-320
Reg. W-46

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 10, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The classification "musical instruments composed principally of metals" does not in general include violins, guitars, mandolins, accordions, clarinets, oboes or bassoons. Certain models of some of these instruments, however, have metal bodies or tubes, in which case they are included in the classification.

MORRILL

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 10, 1941

TELEGRAM

Young - Boston
Sprout - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

Questions have been received as to whether an extension of credit which, upon its face, is repayable in only one scheduled payment is an extension of instalment credit if, at its maturity, a partial payment is made and the balance is renewed.

Answers to such questions depend upon whether or not there are any agreements or understandings between the parties at the time the extension of credit is made. For example, if at the time a particular extension of credit is made the Registrant and obligor have an understanding that the obligor will be required to make only a partial payment at maturity and that, upon making such partial payment, the balance will be renewed, the extension of credit is an extension of instalment credit notwithstanding the fact that the obligation, upon its face, provides for repayment in only one scheduled payment.

MORRILL

S-322
Reg. W-48

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

September 10, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

An inquiry has been received regarding the applicability of section 6(a) of Regulation W to an extension of credit made by a builder covering the cost of building a home and secured by a first lien on the real estate upon which the home is to be constructed.

The general principle applicable to these cases is that the mortgage and the contract or contracts for the extension of credit and the construction may be regarded as parts of a single transaction and that the facts existing on the date of completion may be used in determining the application of the regulation. Consequently, the Board is of the opinion that the extension of credit may be regarded as secured by a first lien on improved real estate within the meaning of section 6(a). The general principle is similar to that discussed in the second paragraph of W-43.

MORRILL

S-323
Reg. W-49INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 10, 1941

Young - Boston	Leach - Richmond	Peyton - Minneapolis
Sproul - New York	McLarin - Atlanta	Leedy - Kansas City
Williams - Philadelphia	Young - Chicago	Gilbert - Dallas
Fleming - Cleveland	Davis - St. Louis	Day - San Francisco

The Board has received a question under Regulation W which may be stated as follows:

"If an extension of credit which was originally made as a 3 months' credit conforming to section 6(f) is renewed or revised, must it be limited to a maturity of 3 months from the date of the renewal or revision, or may it have a maturity of as much as 18 months from the date of the renewal or revision as in the case of a credit which was not originally under section 6(f)? If the renewal or revision of such a credit occurs on or after November 1, does it require a statement of necessity as specified in section 8(a)?"

1. A renewal or revision of a 6(f) credit is not limited to a maturity of three months from the date of the renewal or revision, and is limited only to a maximum maturity of 18 months from the date of the renewal or revision as in the case of renewals or revisions of other credits under the regulation. If the renewal or revision occurs on or after November 1, and alters the terms of repayment to terms which would not have complied with section 6(f) in the first instance, the renewal or revision may not be made unless a statement of necessity is accepted in good faith as specified in section 8(a).

2. The preceding paragraph would not apply in the case of the first renewal or revision on or after September 1 of a credit which was originally extended before September 1. As indicated in W-19 and W-28 in discussing other pre-September credits, any pre-September credit may be renewed or revised once without the statement of necessity and on any terms which the Registrant would have granted in good faith in the absence of the regulation.

3. It is important to note, as pointed out in W-19, that section 8(g) prohibits any extension of instalment credit in connection with which there is any evasive side agreement for the subsequent renewing or revising of the credit. Any renewal or revision beyond the period originally permissible for the credit must be the bona fide result of some development coming after the making of the original extension of credit. Unless it is such a bona fide result of a subsequent development, it is prohibited by section 8(g).

MORRILL

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 11, 1941

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The Board has been asked whether a piece of furniture, such as a table, lamp, or bed, having a radio built in and a composite part of the article is to be classified as household furniture or as a radio. The classification depends upon the relative value of the component parts. If the value of the radio is greater than the value of the table, lamp, or bed as a separate piece of furniture, then the article is to be classified as a radio.

MORRILL

S-325
Reg. W-51INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 11, 1941

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - AtlantaYoung - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The classification "household furnaces and heating units for furnaces (including oil burners, gas conversion burners, and stokers)" includes heat generating sources such as furnaces and boilers, and appurtenances which form a part of such sources, individually or collectively installed, when such sources or appurtenances are designed for actual net output of 240,000 B.T.U. per hour or less. For purposes of determining the maximum amount of credit the bona fide cash purchase price of such equipment is considered to include the cost of installation and the cost of accessories such as fuel oil storage tanks, heat control units, or coils for heating domestic hot water installed at the time of the installation of the furnace, boiler or heating unit. The classification does not include piping, ducts, radiators, convectors, or registers installed in connection with such equipment, but it is to be noted that these items may fall within the classification of materials and services referred to in Group E of Part 1 of the Supplement.

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 11, 1941

Young - Boston	Leach - Richmond	Payton - Minneapolis
Sproul - New York	McLarin - Atlanta	Leedy - Kansas City
Williams - Philadelphia	Young - Chicago	Gilbert - Dallas
Fleming - Cleveland	Davis - St. Louis	Day - San Francisco

The Board has been asked several questions about the application of Regulation W to a case in which a Registrant rents a piano or other listed article to a customer and the rental contract includes an option giving the customer the right to purchase the article.

Executive Order No. 8843, under the authority of which Regulation W is issued, and section 2(b) of the regulation, define "extension of credit" as including "any rental-purchase contract, or any contract for the bailment or leasing of property under which the bailee or lessee ... has the option of becoming the owner thereof ..." Therefore the type of contract to which the inquiry relates is subject to the provisions of Regulation W.

Under these provisions it is necessary that, under such a contract, the Registrant obtain, at or before the delivery of the article to the lessee, a deposit equal to the amount of the down payment which the regulation would require upon an instalment sale of the listed article, and that the lease call for periodic payments in an amount not less than the amount of the instalments which Regulation W would require on an extension of instalment sale credit arising out of the sale of the article. In the event that the lessee decides to exercise his option to purchase the article, these payments, including the deposit, under the lease will serve in lieu of both the necessary down payment and the instalments which would have been due between the date of the original lease and the date the option to purchase is exercised, and the balance of the sale price may be paid in instalments subject to the final maturity of 18 months from the date of the original lease. In the event that the lessee decides not to exercise his option to purchase, the Registrant may return to him the difference between the payments, including the deposit, which the lessee has made and the amount of rental that may have been agreed upon for the period that the lessee has retained the article, and it is permissible for the lease to contain a provision to this effect.

It should be noted that the regulation does not apply to a bona fide rental agreement under which the lessee does not receive a transfer of ownership, does not obligate himself to pay as compensation a sum substantially equal to or in excess of the value of the article, and does not receive an option to purchase.

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 11, 1941

Young - Boston
 Sproul - New York
 Williams - Philadelphia
 Fleming - Cleveland
 Leach - Richmond
 McLarin - Atlanta

Young - Chicago
 Davis - St. Louis
 Peyton - Minneapolis
 Leedy - Kansas City
 Gilbert - Dallas
 Day - San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"Section 8(d) refers to statements of necessity as provided in paragraphs (a), (b) and (c) of section 8. However, paragraph (c) does not contain the words 'statement of necessity'. Is the 'written statement' described in section 8(c) to be regarded as a 'statement of necessity'? If the answer is in the affirmative, would it be desirable as a practical precaution for any bank or other lender extending instalment loan credit to take, in every case, the written statement referred to in section 8(c)?"

The written statement referred to in the last sentence of section 8(c) is not a "statement of necessity" of the kind referred to in section 8(d). Section 8(c) refers to statements of necessity only to the extent that it incorporates by reference certain requirements of "section 8(a) or 8(b), including the provisions thereof". With respect to last part of inquiry, see W-35.

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 11, 1941

Young - Boston
 Sproul - New York
 Williams - Philadelphia
 Fleming - Cleveland
 Leach - Richmond
 McLarin - Atlanta

Young - Chicago
 Davis - St. Louis
 Peyton - Minneapolis
 Leedy - Kansas City
 Gilbert - Dallas
 Day - San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"Section 8(e) provides that the requirements of sections 8(a), (b) and (c) do not apply 'to any renewal or revision' of an extension of credit made prior to September 1, and provides in effect that any such extension of credit may be renewed or revised once on or after September 1. Do the same principles apply to an extension of credit to retire an obligation held elsewhere, assuming the latter covers an extension of credit made prior to September 1?"

Section 8(e) refers specifically to section 8(c), and therefore the same principles apply as in the case of a renewal or revision by the original obligee. These principles are discussed in W-19 and W-28.

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 11, 1941

Young - Boston	Leach - Richmond	Peyton - Minneapolis
Sproul - New York	McLarin - Atlanta	Leedy - Kansas City
Williams - Philadelphia	Young - Chicago	Gilbert - Dallas
Fleming - Cleveland	Davis - St. Louis	Day - San Francisco

A question has been received under Regulation W concerning a sum of \$50 to \$100, sometimes called a "pack", which a dealer may at times include in the price of an automobile as quoted to customers. When the automobile is sold, all or part of this sum may be eliminated from the price actually paid by the purchaser, either by an increase in trade-in allowance or by way of discount on cash purchases. The question is whether, in determining the maximum credit that can be extended to the customer, such an extra sum of \$50 to \$100 may be included, either as part of the "bona fide cash purchase price" of the automobile and accessories or, in the case of a new automobile, as part of Item 1 or Item 4 of Part 3(a) of the Supplement.

In determining what is the "bona fide cash purchase price" of a given automobile to be used in determining the maximum amount of credit under Part 3, padding of any kind--such as the "pack" referred to in the question if it is to be eliminated from the price actually paid by the customer by an increase in trade-in allowance or by some other device--must be excluded. In the specific case of a new automobile the maximum credit value can in no event exceed 66-2/3 per cent of the sum of Items 1 through 4 of Part 3(a) of the Supplement, and a \$50 to \$100 sum such as that described in the present question could not be included in any of these four items.

Morrill

S-330
Reg. W-56

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 12, 1941

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

Inquiry has been received whether section 4(c) prohibits sale of automobile with first monthly instalment of \$65 and remaining 17 monthly instalments of \$23.

Section 4(c) is worded in the alternative, and instalments must either be substantially equal in amount or "be so arranged that no instalment is substantially greater in amount than any preceding instalment". Therefore answer to inquiry is negative.

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 12, 1941

Young - Boston	Leach - Richmond	Peyton - Minneapolis
Sproul - New York	McLarin - Atlanta	Leedy - Kansas City
Williams - Philadelphia	Young - Chicago	Gilbert - Dallas
Fleming - Cleveland	Davis - St. Louis	Day - San Francisco

A question has been received regarding the application of Regulation W to a case in which an automobile salesman sells his demonstrator. The question also relates to the purchase of the resulting obligation by the dealer-employer of the salesman.

The dealer-employer in such a case, who presumably is a Registrant as described in section 3 and also familiar with the particular transaction, may not in any event purchase the obligation unless it complies with the requirements of section 4. This is true because no Registrant may knowingly purchase any instalment sale obligation which fails to comply with section 4, regardless of who made the original extension of credit.

The regulation does not apply to an isolated extension of credit by a person who is not "engaged in the business" as described in section 3(a). However, it is important to note that, whatever the form in which the arrangement may be set up, an automobile salesman's financial interest in his demonstrator may represent a relationship that is substantially different from that of the ordinary automobile ownership. It may have the formal appearance of a purchase of the automobile by the salesman, when actually the demonstrator is in effect the property of the dealer-employer rather than the salesman. In such a case the sale of the demonstrator by the salesman should, for the purposes of the regulation, be treated like any other sale made by the salesman, i.e. as a sale made by him as agent for the dealer-employer, and hence should comply with the requirements of section 4 regardless of whether the obligation is purchased by the dealer-employer.

Morrill

S-332
Reg. W-58

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 12, 1941

Young - Boston	Young - Chicago
Sproul - New York	Davis - St. Louis
Williams - Philadelphia	Peyton - Minneapolis
Fleming - Cleveland	Leedy - Kansas City
Leach - Richmond	Gilbert - Dallas
McLarin - Atlanta	Day - San Francisco

In view of provisions of section 3(a)(2)(B), bank which discounts an obligation which is subject to the Regulation is not obliged to ascertain whether the original lender is a duly licensed Registrant.

Morrill

S-333
Reg. W-59

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 13, 1941

Young - Boston
Sprout - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The classification "plumbing fixtures designed for household use" does not include water meters.

Morrill

S-334
Reg. W-60

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 13, 1941

Young - Boston
Sproul - New York
Williams - Philadelphia
Fleming - Cleveland
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Peyton - Minneapolis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

The Board has received the following question relating to Regulation W:

"A purchaser buying a listed article makes a down-payment in excess of the amount required by the regulation. May he be permitted later, in purchasing a second listed article, to apply any part of the down-payment on the first article as the required down-payment on the purchase of the second article?"

He is not permitted to do so.

Morrill

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

TELEGRAM

September 13, 1941

Young - Boston
 Sproul - New York
 Williams - Philadelphia
 Fleming - Cleveland
 Leach - Richmond
 McLarin - Atlanta

Young - Chicago
 Davis - St. Louis
 Peyton - Minneapolis
 Leedy - Kansas City
 Gilbert - Dallas
 Day - San Francisco

An inquiry which may be stated as follows has been received under Regulation W:

"The X Electric Company purchases substantial numbers of automobiles for cash and sells them to its salesmen on a monthly payment plan, with payments spread over 12 to 18 months. The X Electric Company does not make such sales to anyone except its salesmen. Is the X Electric Company 'engaged in the business' as described in section 3(a)? Must these extensions of credit comply with the down-payment and other requirements of the regulation?"

Both parts of the question should be answered in the affirmative.

Morrill

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

September 15, 1941

W-62. The Board has received the following inquiries:

"Does the term 'automobile' in Group A of Supplement, Regulation W include automobile engines purchased separately for installation in a used car chassis?"

"Does term 'mechanical refrigerator', Item 1, Group C, Supplement, include motor unit replacement, if purchased separately?"

These inquiries raise a general question with respect to the treatment of replacement or repair parts for listed articles. It is to be noted that certain parts are mentioned specifically in the list, as for example, motors for power driven boats, heating units for furnaces, and certain items that are included in Group D-4 and Group E. The regulation however does not treat replacement or repair parts as being included in the list merely by reason of the listing of the complete article, with the consequence that an automobile engine purchased separately would not by inference be classified as a listed article on the ground that automobiles are listed. On the other hand, if the Registrant knows or has reason to know that any purchase is part of a scheme to acquire a complete listed article by purchasing separate pieces, the Registrant is required to treat the credit extended as if the piece purchased were a listed article.

S-337, 338, 339, 340
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

September 17, 1941

S-337, W-63. The following question has been received under Regulation W and has been answered in the affirmative:

"Used car has unpaid instalment contract. May dealer pay off unpaid contract, apply the equity in the used car against down payment on new car and finance the difference (assuming it is not more than $66\frac{2}{3}$ per cent of the cash price) between the equity and the price of the new car over 18 equal payments?"

S-338, W-64. Inquiries have been received as to applicability of Regulation W to a case where vendor of a listed article requests a prospective purchaser to allow him to install it in prospective purchaser's home "on trial" or "on approval" for a 60-day period. The prospective purchaser agrees and at end of 60-day period decides to purchase the article. At what time is the sale of the article to be regarded as having been made?

Assuming that the transaction is entered into in good faith and not for the purpose of evasion, the Board is of the opinion that if the prospective purchaser has the unconditional right to return the article to the prospective vendor at any time within the 60-day period, and if the prospective purchaser does not make, and is not obligated to make, a deposit or payment of any kind to the prospective vendor unless and until he informs the prospective vendor that he has decided to purchase the article, the date of sale, for the purpose of Regulation W, may be regarded as the day on which the prospective purchaser informs the vendor of his decision to purchase the article.

September 18, 1941

S-339, W-65. Regulation W does not require a Registrant to obtain down payment or otherwise to increase amount received through previous payments when a three months credit conforming to section 6(f) is renewed or revised in good faith as described in W-49.

S-340, W-66. Pressure cookers are not included in any of the classifications of listed articles.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

September 13, 1941

S-341, W-67. The classification "mechanical refrigerators" does not include an electrically operated portable unit for cooling and dispensing drinking water.

S-342, W-68. An inquiry has been received regarding an instalment sale contract of a musical instrument which states a single sum in payment of purchase price of instrument and lessons in playing thereof and carrying charge on deferred balance. In such case must amount allocable to lessons be regarded as being for services rendered in connection with acquisition of article under section 4(f)(2)?

Any sum actually allocated to music lessons is of course not to be regarded as the cost of services rendered in connection with acquisition of musical instruments.

S-343, W-69. Obligor who has received credit conforming to section 6(j) and who subsequently receives instalment sale credit on listed article priced at \$100 is not required to make down payment on original purchase. The 6(j) credit remains a separate transaction.

S-344, W-70. Question has been asked whether Section 9(b) of Regulation W permits first instalment to fall due 45 days after date of contract or note, assuming such date is date of sale, even though the result is that the obligation may show on its face that credit was extended for 18-1/2 months. Answer is in the affirmative.

S-345, W-71. A question which may be stated as follows has been received under Regulation W:

"A Registrant sells a \$100 radio, receiving in trade or exchange a used radio which he has previously sold to the customer and on which the customer owes the Registrant an unpaid balance. The Registrant allows the customer \$15 for his equity. What is the basis price, the maximum credit value and the down-payment requirement of the new radio? How should the maximum maturity be calculated for such a transaction?"

Under Part 2 of the Supplement, the basis price of the new radio would be \$85 (\$100 minus the \$15 equity traded in by the customer). Hence the maximum credit value would be \$68 (80% of \$85) and the required down-payment would be \$17, which would be in addition to the \$15 allowance for the customer's equity. The maximum maturity would be 18 months from the date of the sale of the \$100 radio, with the usual option under section 9(b) of making the 15-day adjustment permitted by that section for calculating the maximum maturity.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

September 19, 1941

W-72. Inquiries have been received regarding cases in which the original instalment purchaser of an automobile or other listed article arranges the transfer of his equity to another purchaser, the transfer of the equity being arranged directly between the parties and not by or through any dealer or other Registrant, and the Registrant holding the obligation is in effect asked to recognize or approve the transfer.

The Board is of the opinion that such a transfer of the automobile or other listed article subject to the original debt and lien may be made without restriction under the regulation provided the original purchaser (who is not a Registrant) remains liable on the contract and there is no change in the contract except the addition of the signature of the new purchaser.

However, if the original purchaser is released from his obligation under the contract, or if the terms of the contract are altered except by including the subsequent purchaser, or if a new contract is entered into between the Registrant and the subsequent purchaser, the same requirements would apply as if the Registrant were making an ordinary instalment sale of the listed article. In such event, if the listed article involved was, for example, an automobile and the subsequent purchaser agreed to pay \$600 for the automobile, the Registrant could not extend credit to him in excess of \$400.

It may be noted, of course, that under section 8(a) of the regulation the requirements stated in the preceding paragraph would not apply to action taken by the Registrant in good faith (1) with respect to any obligation of a member of the armed forces of the United States incurred prior to his induction into the service, or (2) for the Registrant's own protection in connection with any obligation which is in default and the subject of bona fide collection effort by the Registrant.

S-347, 348, 349, 350
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

September 19, 1941

W-73. With reference to classification "cooking stoves and ranges with less than seven heating surfaces" a warmer drawer in electric ranges is not considered a heating surface.

W-74. Refrigerators are not "seasonal goods" within the meaning of section 4(d) or 5(c)(3).

W-75. Taxes and fees payable as prerequisite to obtaining license plates in name of purchaser of automobile or motorcycle may be included in purchase price of automobile or motorcycle under section 4(f)(2) and under Parts 2, 3(a), and 3(b) of Supplement.

September 20, 1941

W-76. If a new automobile is sold at a discount, and the "bona fide cash purchase price" is therefore less than the sum of items 1 through 4 of Part 3(a) of the Supplement, the maximum credit value is limited to $66\frac{2}{3}$ per cent of the "bona fide cash purchase price".

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

September 20, 1941

W-77. An inquiry which may be stated as follows has been received under section 8(f) of Regulation W:

"A purchaser buys an automobile costing \$600 and tenders his old car, which is worth \$200, as the required down payment. Purchaser owed a finance company \$100 on the old car, which was part of its unpaid purchase price, but the purchaser was able to make arrangements with the finance company whereby the automobile was released as collateral to this loan and there was substituted therefor miscellaneous collateral other than listed articles and he was able to obtain a clear title for the purpose of making a trade-in. Assuming in each case that the Registrant involved knows or has reason to know of the \$100 transaction: (1) May a finance company, other than the one which extended credit on the old car, lend $66\frac{2}{3}$ per cent of the purchase price of the new car when the loan is secured by the new car? (2) May the finance company which extended credit on the old car make a separate loan to the same individual equal to $\frac{2}{3}$ of the purchase price of the new car when the collateral for the loan is the new car? (3) May a finance company make two loans to the purchaser, one secured by the new car equal to $\frac{2}{3}$ of its purchase price, the other secured by miscellaneous collateral other than listed articles, to pay the \$100 which the purchaser owes the other finance company?"

Section 8(f) in effect prohibits extensions of instalment sale credit under section 4, or of secured instalment loan credit under section 5(a), in any case in which "the Registrant making such extension of instalment credit knows or has reason to know that there is, or that there is to be, any other extension of credit in connection with the purchase of the listed article which would bring the total amount of credit extended in connection with such purchase beyond the maximum credit value of such article."

The down payment in the present case is represented by the old car, which is not sufficient for this purpose unless taken at its full value without regard to the amounts still owed by the customer for its purchase. The down payment therefore includes the \$100 of credit which is outstanding for the purchase of the old car, and the result is that this \$100 brings the total credit in connection with the transaction beyond the maximum credit value of the new car. Accordingly, when, as stated in the question, the Registrant knows or has reason to know of these facts, the extension of credit is prohibited in each of the three cases presented in the question.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-352

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1941



Dear Sir:

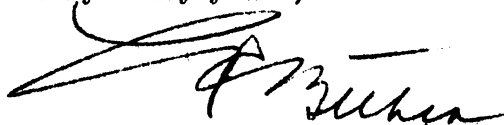
This rescinds the part of the Board's letter of February 28, 1936 (X-9506, Item #3440, F.R.L.S.), which requested each Federal Reserve Bank to review annually as of the close of the year the condition of each State member bank in its District which is subject to the present standard condition of membership numbered 2, or former standard condition of membership numbered 15, respecting the maintenance of an adequate capital structure, and, in any case where it appears that the capital structure is not adequate under the provisions of the condition of membership, to advise the Board of the situation with a recommendation as to what action, if any, should be taken by the Board in the circumstances.

The discontinuance of the request for an annual review and a report thereon does not reflect in any degree whatsoever a modification of the Board's position that it is essential that banks maintain an adequate cushion of sound capital and that, as part of their regular supervisory work, the Reserve Banks use their best judgment and exert their best efforts to bring about and maintain such a condition with respect to all State member banks. The request for an annual review has been rescinded since it seems preferable to emphasize the importance of giving constant and continued attention to the adequacy of the capital structures of all State member banks as part of the regular supervisory work rather than to emphasize the annual review of only the banks subject to a condition of membership regarding maintenance of capital.

It is assumed that in all cases where an examination by the Reserve Bank discloses inadequacy of capital the analysis on Form 212 submitted to the Board will contain appropriate reference to the situation with a statement as to what action the Reserve Bank has taken or contemplates taking and a recommendation as to the action, if any, the Board should take in the circumstances. It is not intended, of course, that the information and recommendations be limited to those

contained in Form 212. It is expected, rather, that in all cases the Reserve Banks will forward from time to time such data as may be necessary in order that both the Reserve Banks and the Board may properly discharge their supervisory responsibilities.

Very truly yours,

A handwritten signature in cursive script, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-353
Reg. 0-43

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1941



Dear Sir:

As stated in the Board's letter of July 17, 1941, the Board has been requested both by the office of the Comptroller of the Currency and by one of the Federal Reserve Banks to render an opinion on the question whether an officer of a member bank, who is also serving as a director and as a member of the discount committee of the bank, is to be regarded as an executive officer within the meaning of the Board's Regulation O, as amended effective July 1, 1939, notwithstanding the adoption of a resolution by the board of directors providing that he is not authorized to participate in its operating management.

The Board of Governors has considered this question in the light of the definition of the term "executive officer" in its Regulation O, the views expressed by Federal Reserve Banks and others who have considered this matter, and the authority of the Board to define the term "executive officer". The Board has concluded that an officer of a member bank, who is also serving as a director and as a member of the discount committee and with respect to whom a resolution as described above has been adopted by the board of directors, is to be considered an executive officer within the meaning of Regulation O except in a case where a provision of the by-laws of the bank or a resolution of the board of directors requires the service in rotation of every director as a member of the discount committee and the directors do in fact serve as members of the committee in accordance with such by-law or resolution.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-354, 355, 356, 357
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

September 23, 1941

W-78. The inclusion or exclusion of articles under the classification "ice refrigerators", which is a part of Group D-7 "New household furniture" in the Supplement, is determined by the same general principles that have been applied in connection with "mechanical refrigerators". Refrigerators of less than 12 cubic feet rated capacity are included, no matter what the use to which they are to be put, unless their design and construction is such that they are clearly usable only for commercial purposes.

W-79. The phrase "bona fide cash purchase price" in section 6(b) means the bona fide cash purchase price of the article and accessories purchased, including any sales taxes thereon and any bona fide delivery and installation charges.

September 24, 1941

W-80. An inquiry has been received regarding the applicability of Regulation W to a special type of lease contract covering an automobile. The lessor is a dealer in automobiles and the lessee is a contractor who has a cost-plus-a-fixed-fee contract with the War Department. The lease calls for monthly payments of 10% of the purchase price of the automobile and provides that when 10 payments have been made title to the automobile will vest in the Government with the option in the Government at any time to pay the unpaid balance and take title to the automobile. The contract further provides that the automobile may be transferred to another construction project and in that event the lessor must enter into a new lease agreement with the holder of the construction contract at the new location, payments made under the first lease being credited to the second lease. The contract does not provide any means whereby the lessee can acquire title to the automobile.

The Board is of the opinion that in such circumstances the lease is not subject to the requirements of the Regulation.

W-81. The classification "radio receiving sets, phonographs, or combinations" does not include coin-operated phonographs.

S-358, S-359
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

September 25, 1941

W-82. The classification "new household furniture" includes a prefabricated fireplace, sold as a complete unit, that is decorative only and not usable for heating purposes.

September 27, 1941

W-83. Section 3(a)(2)(B) permits purchase or discount of 24-month note if note was signed after September 1 pursuant to pre-September commitment.

Similarly, where contractor and home owner have made pre-September contract for repairs to be financed by a bank, bank may finance the repairs on terms provided in contract even though request for financing is not presented to bank until after September 1.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

September 29, 1941

W-84. The Board has received several questions regarding the application of sections 4(f) and 5(c)(1) of Regulation W, which become effective October 1, 1941, and relate to the "statement of transaction" required in connection with extension of instalment sale credit or instalment loan credit. The answers are given below:

1. It is not necessary that all of the information required by section 4(f) or 5(c)(1) be included on a single sheet of paper, but if parts of the information appear on two or more sheets it is necessary that these sheets be attached together, and that copies of all of them be given to the obligor together. The statement referred to in these sections, and the copy required to be given the customer, need not be identical in form.
2. It is not necessary that the particular terminology used in the regulation ("bona fide cash purchase price", "deferred balance", and "time balance") be used in the statement of transaction, as long as the statement contains the required information. When the contract is in the form of a lease agreement, such terminology as is applicable to a lease, giving the corresponding information, may be used.
3. The bona fide cash purchase price of a particular article and accessories, including relevant taxes, may be shown as a total without being itemized into various parts. Although section 4(f)(2) requires itemization of (1) the article, (2) the accessories and (3) the services referred to in the section, the items themselves may be itemized without stating the portion of the total purchase price that relates to each. Accessories which are standard equipment for the article need not be individually itemized, and a group of accessories which are sold as a single group by the manufacturer may be shown in the statement as a unit.
4. The itemization for a new automobile follows this same rule, and need not show separately the matters referred to in paragraphs 1 through 4 of Part 3(a) of the Supplement. As indicated above, however, the accessories should be indicated, and so should the relevant services.
5. In the case of an extension of instalment sale credit subject to section 4 of the regulation, item 2 under section 4(f) requires that the statement of transaction show the bona fide cash purchase price

of the article--the price at which the seller would sell the article for full cash payment--even though the sale will be made at a "time price" which includes carrying charges.

6. The information referred to in each of the seven paragraphs of section 4(f) must be set forth, and it is not sufficient that an item of information may be obtained by mathematical derivation from other information in the statement. However, if the interest or finance charge is not included in the face amount of the obligation but is an additional amount calculated pursuant to an arithmetic formula plainly set forth in the statement, paragraphs 5 and 6 do not require this amount to be shown in dollars and cents or to be included in the statement of the time balance.

7. In any case in which a State law or local regulation requires that sales taxes be shown separately or requires in any other respect more detail than that required by Regulation W, the regulation does not prohibit such further itemizing.

S-361, S-362
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

September 30, 1941

W-85. The classification "Heating stoves and space heaters designed for household use" does not include gas heating units designed to be suspended from the ceiling and operated with a fan circulator.

W-86. The classification "mechanical refrigerators" includes certain refrigerating systems consisting of (1) one or more cabinets of which each has less than 12 cubic feet rated capacity, and (2) a separate mechanical refrigeration unit servicing these cabinets. This is true even though the aggregate capacity of the cabinets included in the system may be 12 cubic feet or more.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

October 3, 1941

W-87. Butane, propane, or similar automatic gas systems or containers are included in Group E of the Supplement.

October 4, 1941

W-88. Part 3(a) of the Supplement to Regulation W provides that the maximum credit value of a new automobile shall be $66\frac{2}{3}$ per cent of the purchase price but that such maximum credit value shall in no event exceed $66\frac{2}{3}$ per cent of the sum of items numbered 1 through 4 as set forth under part 3(a). In this connection, the Board has received several questions as to the amounts which may be included under that portion of item 4 which permits the inclusion of "Any bona fide charges for delivery . . . not included in the foregoing items."

In general this provision permits only the inclusion of bona fide charges for services which are actually rendered by the seller in connection with the delivery of a new automobile and which are not included in the manufacturer's retail quotation (item 1) or in transportation charges (item 2). For example, charges for such services as lubricating, cleaning, polishing, or otherwise conditioning the car may not be included under item 4 if these services are included in item 1 or 2; but in case any such services are not included in items 1 and 2, a charge which is reasonably related to the value of such services may be included in item 4. Likewise, where the contract of sale includes any additional services connected with the delivery of the car, such as greasing the car for a certain period or providing antifreeze, a reasonable charge for such services may be included in item 4. On the other hand there may not be included in item 4 a charge which the dealer may make for "advertising" or for "warehousing", nor any other charges which the dealer may make except bona fide charges for services which are actually rendered by the seller to the purchaser and are not included in items 1 and 2.

S-365, 366
Reg. WBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

October 6, 1941

W-89. The classification "water heaters designed for household use" includes all water heaters with a storage tank capacity of 85 gallons or less.

October 8, 1941

W-90. The classification "cooking stoves and ranges with less than seven heating surfaces" does not include cooking and baking equipment that is clearly designed for commercial use and not suitable for use in households, even though having less than seven heating surfaces. A cooking stove or range or oven, which is designed for commercial use in restaurants and hotels, and which has a single or continuous heating surface or heating unit, is not included. A deep-fat fryer designed for such use is not included.

S-367, 369
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

October 9, 1941

W-91. Question has been received as to whether materials and services for building a new garage are included in Group E if the garage is on improved real estate upon which other buildings are located but is itself a separate new structure. For purposes of Regulation W, materials and services in such circumstances are not considered to be "in connection with existing structures" but are considered to be for new structures, and hence not included in Group E.

October 10, 1941

W-92. A 24-month note for \$650 secured by a second mortgage on a house is not subject to Regulation W if it is given by the purchaser to the seller as part of the purchase price of the house; and the note may be discounted by a bank under section 3(a)(2)(B). This would be true even if plumbing fixtures and other listed articles had been incorporated in the house, because for the purposes of Regulation W the sale would be regarded as the sale of a house and not as the sale of plumbing fixtures.

Similarly, the fact that a \$1,500 instalment loan is secured by a second mortgage on a house that was purchased within 45 days and which at the time of purchase contained plumbing fixtures or other listed articles previously installed, would not cause the loan to be subject to section 5(a) as a loan secured by a "listed article which has been purchased within 45 days". The recent purchase is considered to be the purchase of a house rather than the purchase of a listed article, and the case would not be altered by the fact that the seller of the house might have purchased and installed the listed article only shortly before he sold the house and within 45 days prior to the loan. On the other hand, section 5(a) would apply if the mortgagor had owned the house for some time and had purchased and installed the listed articles within 45 days prior to the loan, since in such a case the mortgagor's recent purchase would be a purchase of a listed article rather than the purchase of a house.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-368

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 10, 1941



Dear Sir:

The Board has received a small amount of correspondence indicating possible violations of Regulation W and has no doubt that you have received a somewhat greater amount of such correspondence. Some of the Federal Reserve Banks have asked for advice as to the policy that should be followed in dealing with such matters.

It has been felt that the most important thing to do at first was to get the purposes and provisions of the executive order and of the regulation understood and at the same time to bring about the correction of defects in the regulation through amendment as soon as possible. It has been only a little over a month since the regulation became effective and the trade and financial organizations generally have shown their desire to cooperate with the Board and the Federal Reserve Banks to the best of their ability. It seems very likely, therefore, that most of the instances which appear to be violations have occurred through inadvertence or through ignorance and in the circumstances that they have been remarkably few.

With these considerations in mind and recognizing the fact that some at least of the Reserve Banks have been proceeding along these lines, the Board suggests that, when instances of apparent violations of Regulation W of sufficient importance to warrant attention are brought to the attention of a Reserve Bank, the matter be taken up with the person involved, either orally or by letter as may seem best, proceeding on the assumption that the apparent violation was the result of inadvertence or of misunderstanding as to the meaning of the provisions of the regulation. It seems probable that in most cases this will result in satisfactory assurances being received that there will be no repetition. If in any particular instance, however, after

FOR VICTORY

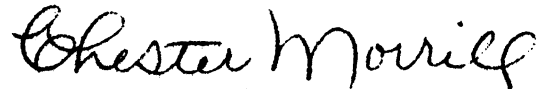


BUY
UNITED
STATES
DEFENSE
BONDS
AND
STAMPS

every reasonable effort along these lines has been made, this result should not come about, and the instance appears to warrant Board consideration, it will be appreciated if you will give the Board all the facts in detail with your suggestions, including the advice of your counsel, as to the course of procedure that would seem to be advisable.

In your acknowledgment of this letter, any comments that you may have to offer will be welcome.

Very truly yours,



Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OF REGULATION

October 10, 1941

W-93. The classification "room-unit air conditioners" includes portable units of one horsepower or less.

W-94. In the case of a home improvement that is carried out as a single job totaling \$995, of which \$550 is for a furnace and other Group D items while \$445 is for Group E items, the question has been asked whether a Registrant financing the entire job may divide the financing into \$445 on an instalment basis subject to the requirements of Regulation W and \$550 on a single-payment basis not subject to the regulation.

This is a single transaction and may not be divided by the Registrant in this manner.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

339

S-372

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 11, 1941

Dear Sir:

It is understood that each Federal Reserve Bank has established a pay roll deduction plan to provide a convenient means by which officers and employees may set aside regularly a part of their earnings for the purchase of Defense Savings securities.

The Board wishes to be in a position, if called upon, to furnish figures indicating the extent to which officers and employees of the Reserve Banks and its own organization are participating in pay roll deduction plans, and for that reason would appreciate your furnishing it as of the last pay day in June and September 1941 the following information for your head office and branches (if any) combined:

1. Total number of officers and employees.
2. Number participating in pay roll deduction plan.
3. Aggregate (gross) dollar amount of pay roll deductions made during the second and third quarters of the current year.

It is realized that data for the second quarter of the current year, during which the deduction plans were inaugurated, will not be representative, but such data may prove useful for possible future comparisons.

For the purpose of determining currently the progress that is being made in the sale of Defense Savings securities to Federal Reserve Bank personnel through pay roll deduction plans, it will also be appreciated if you will furnish the Board with similar data for each succeeding three-month period until further notice.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

October 13, 1941

W-95. Questions have been received as to whether a certain plan of repayment meets the requirements of Regulation W regarding 18 months' maximum maturity and equal monthly payments for instalment loan credit. There is provision for 11 equal monthly payments, and a larger twelfth payment at the end of the twelfth month for the remainder. However, there is an express agreement between the parties that when the twelfth payment falls due, unless the borrower has defaulted on an earlier payment or unless there is a material impairment of his credit, only a portion of the twelfth payment will actually be paid and the remaining portion will be refinanced into six equal monthly payments in such manner that the net result will be eighteen substantially equal monthly payments.

Such an arrangement complies with the specified requirements of the regulation.

S-374, 375
Reg. W.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

October 13, 1941

W-96. The phrase "bona fide cash purchase price" in section 5(a)(1) and section 5(c)(1) means the bona fide cash purchase price of the article and accessories purchased, including any sales taxes thereon and any bona fide delivery and installation charges.

October 14, 1941

W-97. A Registrant makes an extension of instalment sale credit arising out of the sale of materials and services (including certain Group D articles) in connection with repairs, alterations or improvements upon urban, suburban or rural real property in connection with an existing structure. The bona fide cash purchase price of all the materials and services is \$1500 and the bona fide cash purchase price of the Group D articles is \$700. The purchaser makes a cash payment of \$150 and remains indebted to the seller in the amount of \$1350. Is the transaction exempt under section 6(b) of the regulation?

The exemption in 6(b) does not apply since the \$700 purchase price of the Group D articles is more than 50 per cent of the over-all deferred balance of \$1350.

W-98. Facts similar to W-97, but the bona fide cash purchase price of all the materials and services is \$3000 and the bona fide cash purchase price of the Group D articles is \$1400. The purchaser does not make any down-payment and remains indebted in the full amount of \$3000. Inasmuch as \$2500 is the maximum amount of a loan which may be insured by the Federal Housing Administration under Title I of the National Housing Act, the customer's obligation totaling \$3000 is divided into two parts, one in the amount of \$2500 which is insured by the Federal Housing Administration, and the other in the amount of \$500 which is not insured. The \$1400 of Group D items exceeds 50 per cent of the \$2500 but is less than 50 per cent of the \$3000. Is the transaction exempt under section 6(b)?

Since the \$3000 represents a single transaction and is divided into two parts merely for convenient treatment under the National Housing Act, it is permissible to treat the \$3000 as a unit, and hence as an exempt transaction under Section 6(b).

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-376
Reg. W-99

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 17, 1941



Dear Sir:

For your information, there are enclosed a copy of a letter from Mr. Henry D. Brite, Commercial Manager of the Electric Home and Farm Authority, and a copy of the Board's reply, regarding minor deficiencies in payments required by Regulation W.

Very truly yours,

A handwritten signature in black ink, appearing to read "L. P. Bethea". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

L. P. Bethea,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

ELECTRIC HOME AND FARM AUTHORITY
Washington

October 1, 1941.

Mr. Chester Morrill, Secretary,
Board of Governors,
Federal Reserve System,
Washington, D. C.

Dear Mr. Morrill:

A ruling on the following question concerning Regulation W will be appreciated:

We interpret Regulation W to be specific in stating the "maximum credit value in per cent of basis price". In other words, the down payment on listed articles according to our understanding cannot be an approximate amount, but must be sufficiently large to leave an unpaid balance not in excess of the maximum credit value. In complying with this provision in its strictest sense, Electric Home and Farm Authority has returned a large number of customer contracts to dealers because down payments are a few cents short. In many cases shortages in the down payments are only 4¢, but even these contracts are returned to the dealers for correction.

It is our understanding now that the Federal Reserve Bank in Chicago has informed Sears-Roebuck and Montgomery-Ward that down payments which are short a reasonable amount may be accepted.

An official ruling on this point, including the exact definition of a "reasonable amount" will be appreciated.

It would seem that if additional concessions are being made to the mail-order houses, other Registrants should be given the same privileges. It is our recommendation, however, that the Board permit no exceptions whatever in down payments inasmuch as our own experience indicates that where certain exceptions are made, it is difficult to avoid making exceptions to the exception.

Very truly yours,

(Signed) Henry D. Brite

Henry D. Brite,
Commercial Manager.

S-376-b
Reg. W-99

October 14, 1941

Mr. Henry D. Brite, Commercial Manager,
Electric Home and Farm Authority,
Washington, D. C.

Dear Mr. Brite:

Receipt is acknowledged of your letter of October 1 regarding the question whether the phrase "maximum credit value in per cent of basis price" in the Supplement to Regulation W should be interpreted literally or whether down payments which are short a reasonable amount are permissible. You state that in view of this provision, Electric Home and Farm Authority has returned a large number of customer contracts to dealers because down payments are short a few cents, in some cases only four cents, but that it is your recommendation that the Board permit no exceptions whatever in down payments inasmuch as your experience indicates that where certain exceptions are made it is difficult to avoid making exceptions to exceptions.

The Board agrees that the "maximum credit value" provided in the Supplement is a figure which should be calculated mathematically and not be arrived at by approximation, and therefore, the Board does not believe that the Regulation authorizes an extension of credit which is even a few cents in excess of the maximum provided by the Regulation. The Board has, however, been impressed by the evident desire on the part of those affected by the Regulation to comply with it in spirit as well as its letter, and the Board believes that, at least during the initial few weeks after the effective date of the Regulation, it is proper to assume, in the absence of facts which would create the opposite presumption, that most apparent violations, as well as minute technical violations of the kind to which you refer, are the result of inadvertence or of a misapprehension as to the meaning of the provisions of the Regulation. Accordingly, the Board has sent a letter to all Federal Reserve Banks, a copy of which is enclosed (S-368), and it is hoped that the letter may be of some assistance to you in handling matters of this kind.

A copy of your letter and of this reply have been sent to the Federal Reserve Bank of Chicago for its information.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

October 17, 1941

W-100. The Board has been asked whether the following procedure complies with section 4(f) of Regulation W.

The seller gives no statement of the transaction to the purchaser but authorizes the finance company which discounts the obligation to furnish the statement to the purchaser in its normal course of business, with the result that the purchaser receives the statement approximately two weeks after the obligation is discounted by the finance company.

The Board replied that this procedure does not comply with the requirements of section 4(f).

W-101. Regulation W does not prohibit the rescission of an instalment sale contract by agreement of the parties at any time if the seller refunds all amounts received and the purchaser returns the article; as, for example, where the article is found to be defective and the seller is unable to replace it. However, if the purchaser returns the article several months after the date of sale on the ground that it is defective and if the seller does not replace the article but instead agrees with the purchaser to rescind the sale and sell the purchaser another article of the same kind or a similar article of a higher price, these facts may indicate that the rescission was merely a formality used for the purpose of evading the Regulation and that the transaction should have been treated as a trade-in as described in W-71.

S-379, 381, 382
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

October 22, 1941

W-102. A Registrant sells a listed article under a bona fide agreement that the purchase price will be paid in a single payment 60 days after the date of purchase. By reason of a change in circumstances and not in pursuance of any previous agreement or arrangement, at about the time the payment is to be made the purchaser asks that the purchase be changed to an instalment basis. Is it necessary to get a down payment? From what date must the maximum maturity be calculated?

Since the sale was made under a bona fide agreement and there were no evasive side agreements between the parties, it is not necessary under the present terms of the regulation to get a down payment, and the maximum maturity is 18 months from the date on which the credit is changed to an instalment basis.

W-103. The classification "Home air conditioning systems" includes air cooling units that have a rated capacity of 5 tons or less of refrigeration and that are designed for use with a central air circulating system. The classification does not include circulating fans unless they are incorporated in the unit. The classification of such a unit is not affected by the character of building in which it is to be used.

W-104. The classification "plumbing and sanitary fixtures designed for household use" includes water softeners having a rated capacity of 120,000 grains or less of hardness removal between regenerations.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-380

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 22, 1941

Dear Sir:

Enclosed is a copy of a letter addressed to a Federal Reserve Bank relating to the methods of determining the actual net output of household furnaces and heating units for furnaces as required by the Board's Ruling W-51 under Regulation W together with a copy of a letter to the Stoker Manufacturers Association as to the classification of coal stokers.

Because of the technical nature of the subject, the Board does not wish to give general circulation to this material, but it is believed that it will prove useful to your staff in applying the ruling to special cases that are presented to your Bank.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-380-a

October 16, 1941

Mr. _____,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This is in reference to your letter of September 23, 1941, relating to the methods of determining the actual net output of household furnaces and heating units for furnaces under the Board's Ruling W-51.

Enclosed is a copy of a letter sent to the Stoker Manufacturers Association accompanied by a memorandum indicating the way in which Ruling W-51 should be applied in the case of the stokers manufactured by the members of the association. This memorandum outlines principles which have general application in fields other than coal stokers and it is believed that you will be able to answer most inquiries by reference to these principles.

The Board prefers not to issue a ruling which would say that the net output for cast iron boilers should be the rating determined in accordance with the Institute of Boiler and Radiator Manufacturers' code, but it is believed that it will be clear from the above mentioned memorandum that the I.B.R. code employs the correct method. If this information is given to the Institute it should be able to notify the manufacturers and dealers accordingly. This will not preclude manufacturers who are not members of the Institute from using ratings that are not identified as I.B.R. ratings, provided they are established in accordance with the prescribed method.

No special inquiries have been presented to the Board with reference to steel boilers or oil burners. If any questions with regard to these articles are presented and cannot be answered by reference to the principles previously referred to, the Board would appreciate having the matter brought to its attention.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

Enclosure

S-380-a

October 13, 1941

Stoker Manufacturers Association,
307 North Michigan Avenue,
Chicago, Illinois.

Attention: Mr. Marc C. Bluth, Secretary
Mr. E. C. Webb, Chairman
Engineering and Research Committee

Gentlemen:

This is in answer to your letter of September 20 which relates to the method that may be used to determine, for purposes of the Board's Regulation W, whether a stoker of a given description is or is not within the meaning of Item 1, Group D, as set forth in the Supplement to the regulation. Your letter refers, by implication, to the Board's Ruling W-51 which prescribes a certain standard involving a heat generating source designed for actual net output of 240,000 B.t.u. per hour or less.

Enclosed is a memorandum written by a member of the Board's staff which indicates the way in which Ruling W-51 should be applied in the case of the stokers manufactured by the members of your association.

The Board suggests that your association assist the manufacturers in making the necessary ratings, which can then be made available to dealers and sales finance companies. Subsequently, the identification of the model will be sufficient to enable anyone to classify the transaction.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

Enclosure

CLASSIFICATION OF STOKERS UNDER REGULATION W

In its letter of September 20, 1941, the Stoker Manufacturers Association has made certain suggestions with reference to the classification, for purposes of Regulation W, of stokers manufactured by its members. This requires an application of Ruling W-51 which states that the classification "household furnaces and heating units for furnaces (including oil burners, gas conversion burners, and stokers)" includes heat generating sources such as furnaces and boilers and appurtenances which form a part of such sources, individually or collectively installed, when such sources or appurtenances are designed for actual net output of 240,000 B.t.u. per hour or less.

Since furnaces, boilers, and separate heating units are to be rated similarly, and since a heating unit cannot be used except in a furnace or boiler, the basic concept is a furnace or boiler of specified capacity. The capacity to be measured is the net output, which is the gross output less allowance for piping and pick-up. This, for example, in the case of the boiler, is interpreted as the installed radiator load where average or normal installation conditions exist. Then the rule is applied to heating units like stokers by determining the appropriate stoker for the boiler of the stated capacity. This means that the maximum size of stoker covered by the regulation is one which is suitable for a boiler designed for a net output of 240,000 B.t.u. per hour.

Coal stokers are customarily rated according to the number of pounds of coal per hour they are designed to deliver to the fire box. The classification, therefore, depends upon selection of a stoker delivering the appropriate number of pounds of coal for a boiler such as the one described in the previous paragraph. This means that it is first necessary to take the B.t.u. value of the pounds of coal delivered by a given stoker and convert that value into the equivalent net output. This must take into account the operating efficiency of the stoker as well as the piping and pick-up factor of the boiler.

The Board desires to have the regulation apply uniformly, so that credit sales of a particular model of stoker either will or will not be subject to the regulation, no matter what the circumstances of an individual installation. This means that a particular figure must be selected for the B.t.u. value of the coal, for the operating efficiency of the stoker, and for the piping and pick-up factor. The B.t.u. value of the coal should be an average, and the operating efficiency and piping and pick-up allowances should conform with generally accepted standards for cases in which average or normal installation conditions exist.

The following is the application of the rule: Coal of 12,000 B.t.u. value is taken as average and therefore as the basis for the formula. Using such coal, a 45 pound stoker would deliver coal having 540,000 B.t.u. per hour. If the operating efficiency is 65 per cent (which the Stoker Manufacturers Association has adopted as average) the gross output would be 351,000 B.t.u. per hour. If then the piping and pick-up factor of 1.466 is utilized, the net output is 239,000+ B.t.u. per hour, and the stoker is subject to the regulation.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

October 22, 1941

W-105. Section 4(g) of Regulation W provides that where a listed and an unlisted article are sold at the same time, the permissible terms shall be determined by dividing the transaction into two parts, so that the sale of the listed article will comply with Regulation W and the sale of the unlisted article will be on terms which the seller would have granted on that sale if standing alone.

Some sellers have established their own minimum down payment or minimum periodic payment requirements in connection with instalment sales, but when two or more articles are sold at the same time these requirements apply to the total. The Board has been asked whether section 4(g) requires such a seller to apply his minimum payment requirements to the sale of the unlisted article as though the listed article had not been sold to the customer. The Board replied that the Regulation does not require him to do so, but permits him to give the same terms on the part of the sale represented by the unlisted article which he would have given, in a similar combination sale, in the absence of the Regulation.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-384

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 24, 1941

Dear Sir:

Referring to my letter of May 29, 1941, S-268, will you kindly have the reports of the Federal Reserve Defense Contract officers submitted on a quarterly basis instead of monthly as heretofore, the next report to be submitted as of December 31, 1941. It will not be necessary in future reports to comment on any activities of the District Coordinators' Offices and of the Offices of the Priorities Division.

Very truly yours,

Ernest G. Draper

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

October 24, 1941

Mr. _____,

Washington, D. C.

Dear Mr. _____:

This refers to your letter of October 14, 1941, in which you request an expression of the Board's views with regard to an affiliate question raised by one of your examiners.

It appears that a national bank has during the past several years made loans to a realty company and also to a subsidiary company owned by the first company. In order to obtain additional protection against loss on loans to both concerns, the bank acquired from the first company approximately 80 per cent of the outstanding stock of its subsidiary as additional collateral and as a result such subsidiary became an affiliate of the bank. Your examiner inquired whether advances to this affiliate are exempted from the provisions of section 23A of the Federal Reserve Act by the provision in section 23A which makes the requirements of that section inapplicable to an affiliate "where the affiliate relationship has arisen out of a bona fide debt contracted prior to the date of the creation of such relationship".

The Board has not heretofore had occasion to make a ruling on a question of this kind but it would appear that in view of the circumstances described the affiliate would clearly come within the provisions of the exemption quoted above.

The above exemption was enacted by Congress in the Banking Act of 1935. We have been unable to find any statements in the legislative history of this Act relating to this exemption. However, an identical provision was contained in the omnibus banking bill of 1934 but was not enacted into law at that time, and it is of interest to note that the Committee on Banking and Currency of the Senate, in its Report No. 1260, made the following statement with regard to this provision:

"Section 14: This amends section 23A of the Federal Reserve Act, which prescribes certain limitations and conditions on loans by member banks to their affiliates.

"Subsection (a) exempts from such limitations and conditions loans where the affiliate relationship has arisen out of a bona fide debt contracted prior to the creation of the relationship. The object of this amendment is to avoid the severe loss that may be occasioned by banks under the present law where they control an affiliate through having obtained its stock by foreclosure or otherwise in satisfaction of a previously contracted debt. It is frequently found necessary to advance funds to such an affiliate either for the purpose of continuing its operation or of assisting its liquidation, so as to salvage the real value out of the assets and reduce or avoid loss by the bank on the debt which had been secured."

While the situation described in this report is not precisely the same as that described by your examiner, it is believed that the exemptive provision is broad enough to include the case described by your examiner.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

S-386

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

October 29, 1941

W-106. The determination of whether listed articles are "seasonal goods" within the meaning of sections 4(d) and 5(c)(3) of Regulation W depends on their typical use, rather than on the distribution of their sales during the year or the use to which the article is put in a particular case.

For these reasons, Group D-1 listed articles (furnaces, etc.) and Group C-6 articles (heating stoves, etc.) are winter "seasonal goods", even though occasionally such articles may be used the year round. Similarly, Group C-8 articles (room-unit air conditioners), Group D-5 articles (home air conditioning systems), and Group D-6 articles (attic ventilating fans) are summer "seasonal goods" even though occasionally they may be used throughout the year.

However, as pointed out in W-74, a refrigerator is not a "seasonal good", since refrigerators are typically used the year round. The fact that some refrigerators may go unused during winter months does not alter this general classification.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

October 30, 1941

W-107. In response to several inquiries regarding W-47, the Board said that an ordinary bank loan evidenced by a promissory note repayable in full at maturity is not subject to Regulation W, even though the bank may anticipate that at the maturity of the note it may accept a partial payment and a renewal note for the balance; provided the bank makes no commitment to do so and the transaction is entered into in good faith and not as a means of avoiding or evading the Regulation.

October 31, 1941

W-108. Amendment No. 2 to Regulation W will affect certain interpretations previously issued by the Board, and the following comments will be pertinent to the interpretations indicated:

- W-15 See sec. 9(f) as amended relating to "Farmer Plans".
- W-16 Even if not instalment sale credit, transaction would involve a "purpose loan" under sec. 5(a) as amended.
- W-19, W-28, W-49 and W-65 Note postponement of effective date of secs. 8(a) through 8(d) as amended; note the provisions of amended sec. 8(b) relating to add-ons; and note provisions relating to the statement of necessity now contained exclusively in sec. 8(d) as amended. Otherwise the principle stated in W-19, W-28, W-49 and W-65 will not be affected.
- W-25, W-26, W-27, W-30 and W-48 Not affected, but note that sec. 6(a) has been amended and broadened.
- W-33 Note amendment of sec. 5(a) as to "purpose loans"; and note amended sec. 4(e) relating to down payments.
- W-45 Note that the figure in sec. 5(b) as amended is \$1,500.
- W-92 Note that sec. 6(a) has been amended and broadened, and note change to \$1,500 in sec. 5(b), as amended.
- W-24, W-36, W-37 and W-53 will be obsolete after November 30.
- W-35 will be obsolete after December 31. See sec. 5(d) as amended.

S-388
Sec. 5136 R.S .-19

INTERPRETATION OF LAW OR REGULATION

(Copies to be Sent to All Federal Reserve Banks)

October 25, 1941

Mr. _____, Assistant Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Sir:

This refers to your letter of September 11, 1941 raising a question as to the basis to be used in calculating the 10 per cent limitation under the provisions of section 5136 of the Revised Statutes where, as in the case of certain (name of State) banks, a member bank's common stock is shown on the bank's books in an amount less than its par value.

As you point out, under the Board's instructions, the par value of the stock, rather than the written-down amount at which it is shown on the bank's books, is used in determining the amount of Federal Reserve Bank stock which the member bank is required to hold in such a case. It is the Board's view that, likewise, the written-down amount should be disregarded in determining the limitation under section 5136. However, such limitation is based upon the bank's "capital stock actually paid in and unimpaired and * * * its unimpaired surplus fund," instead of "paid-up capital stock and surplus" which is the basis for calculating the amounts of Federal Reserve Bank stock. So, for the purposes of section 5136, instead of using par value, the stock should be included only at par value less the impairment thereof, if any.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-389

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 31, 1941



Dear Sir:

Permit me to pass along to you informally a suggestion which I think would be helpful in the administration of Regulation W. It is simply that public relations officers of the Banks make a point of visiting in their respective districts the editors of labor and farm papers, many of which are published weekly or monthly and are influential in affecting the opinions of important groups that will increasingly feel the impact of the Regulation.

My idea is that in talking with the publishers or editors of these labor and farm publications, the opportunity be used to ascertain from them what the opinion of their readers is with regard to the Regulation. It should be emphasized that it is helpful to the System to know what people are thinking about the Regulation; whether they understand it and its purposes; what they have to say about it; and what might be done to inform them more fully about it if that seems to be required. By approaching the matter in this way, seeking information rather than by trying to impose it, it is likely that some of the grass roots feeling about the Regulation and the way it is operating will be brought out and an opportunity offered to present information or to correct misunderstanding about it.

Similarly, it would be helpful if visits were made to some of the leading representatives of labor and agriculture in order to talk over with them questions of how their groups feel and what they think might be done to gain a better understanding and cooperation. The leaders in farm and labor organizations sometimes feel that their views are neither sought nor desired in connection with System matters such as this Regulation, and this erroneous impression needs to be removed by visiting with them and having them come to the Banks for meetings or luncheons at which they can meet senior officers and staff.

While the daily press has on the whole been favorably disposed, judging from editorial comments in all parts of the country, the farm and labor papers of the type indicated have not been so generally favorable and, in some cases, have been extremely hostile, apparently because of genuine misunderstanding.

These publications are particularly influential in many communities in shaping opinion that later wells up in letters, resolutions, and other forms of protest to members of Congress who, in turn, refer such matters to the Board. It may be possible by the suggested contacts to correct and halt at the source a good deal of this backfiring.

Some of the Banks are doubtless undertaking this sort of public relations work and this suggestion may, therefore, be superfluous. However, I think it desirable that some special effort be exerted along this line, primarily to obtain information and the help and guidance of these editors rather than to attempt to propagandize or convert them if they happen to be hostile. The Board would be interested in having any information that you obtain in this way as to the attitude of these publications and what they are saying in their columns.

There are, as you know, sharp differences of opinion, particularly in the labor groups, some regarding the Regulation as a boon to the worker and in his best interest, others attacking it on various grounds all the way from broad philosophical ones to complaints that this is class legislation that bears heaviest on the poor. A good deal of the criticism, however, clearly originates from failure to understand the purposes, and when this situation develops in conversations with these editors and publishers, it would, I think, be helpful to give them the other side of the story, not in the effort to argue with them but merely to bring out the whole picture.

The Board would appreciate it if you would give this suggestion your earnest consideration and make it a part of the public relations efforts which your Bank is making.

As you know, a meeting with Reserve Bank representatives will be held in Washington in November—the date to be determined later—for a general conference on the Regulation, and subsequently the Banks will be visited by staff members for the purpose of having discussions with you and with those of your officers and staff who are responsible for the successful administration of the Regulation.

Sincerely yours,

M. S. Stearns
M. S. Stearns

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-390

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 31, 1941

Dear Sir:

Replies to the Board's letter (R-901) of October 11, 1941, indicate that all of the Federal Reserve Banks favor the discontinuance of the monthly Bank Relations Reports. Accordingly, the Board herewith rescinds the instructions contained in its letters X-9680 and X-9793 (F.R.L.S. 3943 and 3944) of August 25, 1936 and January 13, 1937, respectively.

Several of the Banks, however, have stated that they would like to continue receiving figures showing, by Federal Reserve districts, the number and aggregate deposits of State banks currently admitted to membership in the Federal Reserve System. Therefore, such information will in the future be made available a few days after the end of each month, in mimeographed form and without a covering letter, by the Board's Division of Bank Operations. The enclosed table shows, among other things, the number and aggregate deposits of State banks admitted to membership during 1940 and the first nine months of 1941.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written in a cursive style.

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

STATE BANKS ADMITTED TO FEDERAL RESERVE MEMBERSHIP

S-390-a

(Deposits are in thousands of dollars)

Federal Reserve District	Banks admitted to membership during Jan. - Sept. 1941		Banks admitted to membership during 1940		Number of nonmember commercial banks with sufficient capital stock to meet the minimum statutory requirements for Federal Reserve membership*				
	Number	Deposits	Number	Deposits	Total Number **	By size of deposits			Number On Par List
						Under \$1 million	\$1 - 10 millions	\$10 millions and over	
Boston	1	1,730	0	0	141	45	87	8	141
New York	34	83,520	8	12,026	224	76	126	21	224
Philadelphia	8	8,920	4	3,777	225	101	108	13	225
Cleveland	13	8,890	25	37,595	475	327	139	6	474
Richmond	10	10,480	18	21,868	394	301	86	7	232
Atlanta	1	730	3	5,298	484	415	65	2	52
Chicago	42	126,840	62	74,483	1,219	1,008	200	10	1,079
St. Louis	18	14,080	21	12,412	664	578	78	3	434
Minneapolis	1	250	9	10,382	420	391	27	0	78
Kansas City	2	640	10	14,197	487	459	28	0	402
Dallas	7	5,790	24	21,154	282	253	29	0	174
San Francisco	2	830	4	5,125	194	138	37	9	182
Total	***139	262,700	****188	218,317	5,209	4,092	1,010	79	3,697

* These figures are as of December 31, 1939, the latest date for which such data have been compiled.

** These totals include, and the distribution by amount of deposits excludes, 28 banks with no deposits or for which deposit figures were not available.

*** Includes one newly organized bank with no deposits; excludes one bank organized to succeed a national bank.

**** Excludes two banks organized to succeed national banks, one organized to succeed a State member as part of a rehabilitation program, and one organized to succeed a State member whose charter had expired.

362



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

363

S-392

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 3, 1941

Dear Sir:

The Board of Governors concurs in the action taken by the Conference of Presidents at the meeting held on September 27-28, 1941, in accepting and approving the September 17, 1941 report and recommendations of the Committee on Handling of U. S. Postal Money Orders together with the suggested circular letter, as revised.

As soon as formal approval of the Treasury Department is obtained of the tentative arrangements worked out between the Committee and the Treasury with respect to collecting certain money orders deposited with the Federal Reserve Banks by Government agencies and officials, the Board will advise the Chairman of the Presidents' Conference thereof so that a date may be fixed for issuing the circular and making the revised procedure effective.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

November 7, 1941

W-109. Since Amendment No. 2 of Regulation W increases the figure \$1,000 to \$1,500 in the definition of instalment loan credit but leaves the figure \$1,000 in Group E of the Supplement, the Board has been asked whether the Amendment will permit a vendor to make an instalment sale of Group E materials and services in the amount of \$1,200 on easier terms than it will permit a lender to make an instalment loan to finance the same transaction.

Section 6(b) of the Regulation equalizes the application of the Regulation to vendors and lenders in such cases.

If the \$1,200 transaction does not include any articles in Group C or D, Section 6(b) exempts it for both lender and vendor.

If the \$1,200 transaction does include articles listed in Group C or D, its status under Section 6(b) is likewise the same for both lender and vendor: the transaction is exempt for both lender and vendor if the bona fide cash purchase price of the Group C or D articles does not exceed \$600 (that is, 50% of the total over-all deferred balance of \$1,200); and it is not exempt for either lender or vendor if the purchase price of the C or D articles exceeds \$600.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-394

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 10, 1941



Dear Sir:

There is enclosed for your information a copy of a letter which the Board is sending today to Mr. Stradella, Vice President, General Motors Acceptance Corporation, New York City.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-394-a

November 10, 1941

Mr. Charles G. Stradella, Vice President,
General Motors Acceptance Corporation,
Broadway at 57th Street,
New York, New York.

Dear Mr. Stradella:

The Board has received a letter from the Federal Reserve Bank of San Francisco enclosing an inquiry received from the branch manager of your corporation asking for an interpretation of the provisions of section 3(a)(2)(B) of Regulation W. It is our understanding that several of your branch offices have requested an opinion on this question, and this letter is being written to you with the thought that your office can advise all your branches.

The question is whether or not it is necessary for the dealer's finance agency to have a more detailed statement of the transaction than that which was given to the purchaser. Section 3(a)(2)(B) provides that the Registrant may not receive any payment arising out of the obligation if, when the Registrant purchased or discounted the obligation, it "showed on its face" some failure to comply with the requirements of the Regulation or the Registrant "knew" any fact by reason of which the extension of credit failed to comply with such requirements.

Therefore contracts covering the purchase of automobiles may be purchased by your corporation without further investigation, if the contract does not show on its face some noncompliance and if at the time of purchase your corporation did not know any fact by reason of which the extension of credit under the contract failed to comply with the Regulation.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

November 19, 1941

W-110. The classification "mechanical refrigerators" does not include refrigerated locker plant systems composed of a group of frozen food storage lockers which are not individually refrigerated but are installed in a refrigerated room, even though the individual lockers are of less than 12 cubic feet capacity.

S-396
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

November 21, 1941

W-111. The classification "automobiles" under Group A-1 of the Supplement includes station wagons.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

December 2, 1941

W-112. The Board has been asked whether, in view of section 9(c) covering "lay-away" plans, Regulation W permits a dealer to accept a small deposit (less than the required down payment) on an article which he agrees to hold until the purchaser has accumulated and paid the required down payment, if as a part of the same transaction the dealer delivers another similar article (such as a demonstrator) to the purchaser for him to use in the meantime.

The Board has answered this question in the negative.

The Board has also been asked whether Regulation W permits a dealer to deliver a demonstrator to a prospective purchaser, receiving a small deposit (less than the required down payment) and, in some cases, an old article which the seller is willing to take as a trade-in, if the prospective purchaser has and knows that he has the unconditional legal right to require the dealer to take back the demonstrator and give back the deposit and the trade-in, if any, without being under any obligation to purchase the demonstrator or similar article or under any further obligation whatsoever to the dealer.

The Board has answered this question in the affirmative.

The difference between these two cases is that in the first case there was a contract of sale coupled with a side agreement which, in effect, would avoid the Regulation; while in the second case there was no contract of sale and the prospective purchaser had the right to return the demonstrator and receive back the deposit and old article, if any. On the other hand if, in the second case, there had been a contract of sale, even though it was conditional and the purchaser had the right to rescind, it would have been necessary for the seller to obtain the required down payment and to calculate the maturity (in the event the contract became unconditional) from the date of the contract rather than the subsequent delivery of the article.

S-398
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

December 4, 1941

W-113. Under section 4(e) of Regulation W, as amended effective December 1, 1941, a seller may disregard the down-payment requirement in connection with the sale of any listed article on which the requirement would be \$2 or less.

It is to be noted that section 4(e) applies only in case the entire down-payment otherwise required on the particular sale would be \$2 or less; it does not permit a seller to reduce a down-payment which would be more than \$2. For example, if the required down-payment would be \$38, the provision does not authorize this to be reduced to \$36.

If several separate articles are sold to a customer, section 4(e) permits each to be treated separately for the purpose of determining whether the down-payment requirement may be disregarded. This would be true even though all the articles were covered by a single invoice or bill. On the other hand, where the sale consists of a group of closely related items sold as a unit, such as a suite of furniture, the entire group should be considered as a unit in determining whether the sale is exempted from the down-payment requirement, and this would be true regardless of how the sale was invoiced or billed.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

371

S-399

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 5, 1941



Dear Sir:

In 1937 the Board requested one of the members of its legal staff to make a survey of the legal divisions of the Federal Reserve Banks. Following the submission of the reports of these surveys the Board, in June 1938, adopted a resolution in which, in view of the material differences in the practices of the Federal Reserve Banks with respect to the employment of counsel and the manner in which their legal work was handled, the position was taken that as a matter of general policy the legal work of each Federal Reserve Bank should be conducted under the direction of a full-time general counsel who represents only the Federal Reserve Bank; that, however, with respect to the Banks which did not have such counsel the adoption of this policy should be regarded as an ultimate objective to be attained when circumstances permitted without disturbing existing arrangements if otherwise satisfactory; and that the President of each Federal Reserve Bank should be advised that it was the desire of the Board to be consulted informally before the Bank made any change in the manner of conducting its legal work or the principal personnel engaged therein.

Advice of the adoption of the policy as set forth in the resolution was not sent to the Federal Reserve Banks at the time for the reason that it was felt that the policy could be brought to the attention of the respective Federal Reserve Banks as occasion might require, but in accordance with the last clause of the resolution a letter was sent to the President of each of the Federal Reserve Banks on June 8, 1938, stating that it would be appreciated if, whenever circumstances developed in the future indicating the desirability of a change in the principal legal personnel or the manner in which the legal work of the Bank was conducted, the Bank would advise the Board informally before action was taken.

Recently the Board has had occasion to reconsider and reaffirm the policy as set forth above and requested that all Federal Reserve Banks be advised of the position which the Board had taken.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

372

S-400

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 8, 1941



Dear Sir:

At the recent Fiscal Agency Conference held at the Federal Reserve Bank of Atlanta, the Reserve Bank representatives were requested to furnish the Treasury with their suggestions and comments with respect to a number of topics after returning to their respective Banks. It will be appreciated if you will have your representatives at the Conference furnish the Board with copies of all letters and memoranda forwarded to the Treasury in response to such requests.

Some of the Federal Reserve Banks had a senior employee in the Fiscal Agency Department accompany the officer in charge of that Department when he attended the Atlanta Conference. This policy seems to the Board to be a good one, particularly since it gives senior employees who are good prospects for further advancement an opportunity to get a broader viewpoint of System problems which relate to their particular assignments.

The Board will appreciate being advised of all Fiscal Agency and allied matters of importance taken up with the Treasury by the Federal Reserve Banks and by the Treasury with the Federal Reserve Banks.

In order to facilitate closer relations between the Treasury, the Board, and the Federal Reserve Banks in this field, the Board is arranging for a conference with the Treasury on this subject and will advise you of the outcome of the conference. In the meantime, your courtesy in keeping us informed in respect to these matters will be appreciated.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

S-401
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

December 8, 1941

W-114. Instalment sale or loan credit granted to a farmer before December 1 may be revised after December 1 on any terms which would have been permitted if section 9(f) had been in effect when the credit was originally granted.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-402

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



December 8, 1941

Dear Sir:

There are enclosed for your files copies of four letters from Chairman Fahey of the Federal Home Loan Bank Board, and of the four replies of Chairman Eccles regarding the applicability of Regulation W to:

- (1) Federal Home Loan Banks,
- (2) Federal Savings and Loan Insurance Corporation,
- (3) Home Owners' Loan Corporation, and
- (4) Federal Savings and Loan Associations.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

Enclosures 8

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FEDERAL HOME LOAN BANK BOARD
Washington

October 14, 1941

Honorable Marriner S. Eccles
Chairman, Board of Governors of the
Federal Reserve System
Washington, D. C.

My dear Mr. Eccles:

The Federal Home Loan Bank Board has recently received numerous inquiries from its Federal home loan banks as to the extent to which they are subject to Regulation W. In order that they may be properly informed, we would appreciate your confirmation of our understanding that they are not subject to the terms of the Regulation and need not register thereunder.

These banks make advances secured by first liens on real estate or obligations of the United States. They also make secured advances for periods which are required by law not to exceed one year. In addition, they make unsecured advances for periods not to exceed one year.

Although some of the functions enumerated may fall within the terminology of Regulation W, the transactions involved are in all cases between the banks and other lending institutions and, in the ultimate use of the funds advanced to such lending institutions, there must be compliance with the terms of the Regulation. Therefore, it would not appear that the transactions of the Federal home loan banks are of types which the Regulation is designed to limit. If they are excluded, the purposes of the Regulation will not be defeated and the operations of the banks will not be subject to the detailed procedures required by the Regulation.

Your early clarification of this matter will be appreciated.

Very truly yours,

(Signed) John H. Fahey

John H. Fahey
Chairman

S-402-b

November 5, 1941

Mr. John H. Fahey, Chairman,
Federal Home Loan Bank Board,
Washington, D. C.

My dear Mr. Fahey:

I have your letter of October 14, 1941, regarding the application of Regulation W to Federal Home Loan Banks.

Regulation W applies to persons "engaged in the business" of making instalment sales of certain articles listed in the Supplement to the Regulation or in the business of making instalment loans which are secured by such articles or which although not so secured are in a principal amount of \$1,000 or less (after December 1, the figure will be \$1,500). It also applies to persons "engaged in the business of lending on the security of or discounting or purchasing obligations or claims arising out of such extensions of credit". However, section 9(e) provides that in the case of a loan secured by instalment obligations, the application of the Regulation is determined on the basis of the loan rather than the obligations which secure it.

It is my understanding that the only loans made by the Federal Home Loan Banks which would come within these classes are instalment loans not secured by listed articles, and that the Banks make such loans of \$1,500 or less only on rare and isolated occasions.

In the circumstances the Board of Governors is of the opinion that the Federal Home Loan Banks are not "engaged in the business" described in section 3 of Regulation W, and that therefore the Regulation does not apply to them.

Very truly yours,

(Signed) Marriner S. Eccles

M. S. Eccles,
Chairman.

FEDERAL HOME LOAN BANK BOARD
Washington

S-402-c

October 21, 1941

Honorable Marriner S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.

My dear Mr. Eccles:

Issuance of Regulation W, governing consumer credit, by the Board of Governors of the Federal Reserve System has raised the question of the application of this Regulation to the Federal Savings and Loan Insurance Corporation. In order that the Corporation may know its status under the Regulation, your clarification of its position thereunder would be appreciated.

Section 1 of Regulation W states that it is to apply to any person who is engaged in the business of making extensions of instalment credit or of discounting or purchasing obligations arising out of extensions of instalment credit. The primary function of the Federal Savings and Loan Insurance Corporation is to insure individual accounts in institutions of the savings and loan type, which meet the requirements of Title IV of the National Housing Act, as amended, and the regulations issued pursuant thereto. In some instances, upon the default of an insured institution, the Insurance Corporation is appointed as conservator or receiver and is authorized as such (1) to take over the assets of and operate such association, (2) to take such action as may be necessary to put it in a sound and solvent condition, (3) to merge it with another insured institution, (4) to organize a new Federal savings and loan association to take over its assets, or (5) to proceed to liquidate its assets in an orderly manner, whichever shall appear to be to the best interests of the insured members of the association in default. In this capacity it is an agent of state or Federal authorities, and such principals are not persons within the definition of Regulation W.

In addition, it would seem that the Corporation as receiver is not engaged in the "business of extending instalment credit" within the meaning of the Regulation. It should be free to carry out its receivership operations provided for by Title IV of the National Housing Act, as amended, without its activities being limited although they might in some instances fall within the terminology of Regulation W. Extensions of credit by the Insurance Corporation as a receiver of a defaulting institution would only be made when necessary to conserve its assets or promote the orderly liquidation of such institution.

An early clarification of the status of the Federal Savings and Loan Insurance Corporation will be appreciated.

Very truly yours,
(Signed) John H. Fahey
John H. Fahey
Chairman

S-402-d

October 30, 1941

Mr. John H. Fahey, Chairman,
Federal Home Loan Bank Board,
Washington, D. C.

My dear Mr. Fahey:

I have your letter of October 21, 1941, regarding the application of Regulation W to the Federal Savings and Loan Insurance Corporation.

You state that the primary function of the Corporation is to insure certain individual accounts in institutions of the savings and loan type, but that, in some instances, upon default of an insured institution, the Corporation is appointed as conservator or receiver and is authorized as such (1) to take over the assets of and operate such associations, (2) to take such action as may be necessary to put it in a sound and solvent condition; (3) to merge it with another insured institution, (4) to organize a new federal savings and loan association to take over its assets, or (5) to proceed to liquidate its assets in an orderly manner, whichever shall appear to be in the best interest of the insured members of the association.

The powers enumerated above are those given by the statute (12 U.S. Code 1729), but I understand that the power referred to under (1) to take over the assets of and operate an association has not actually been exercised by the Corporation in any case to the extent of continuing the ordinary business operations of the association, but, on the contrary, that the Corporation has merely taken over the assets and held them pending reorganization, merger, liquidation or one of the other steps enumerated above. With respect to the power referred to under (5) above, the Board of Governors is of the opinion that Regulation W is not applicable to a receiver engaged in liquidating the assets of an organization, and since it appears that none of the other courses of action enumerated above would result in the Corporation's being engaged in the business described in section 3 of Regulation W, it appears that the Corporation is not subject to its provisions.

Very truly yours,

(Signed) Marriner S. Eccles

M. S. Eccles,
Chairman.

FEDERAL HOME LOAN BANK BOARD
Washington

October 14, 1941.

Honorable Marriner S. Eccles,
Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.

My dear Mr. Eccles:

The question of the application of Regulation W to the operations of the Home Owners' Loan Corporation has been recently brought to our attention. To assure full cooperation, pending a clarification of its application, emergency steps have been taken by the Corporation to see that it complies fully with the Regulation. It is anticipated, however, that the restrictive steps taken, if made permanent, would be cumbersome, detailed, and expensive to the Government from the standpoint of both this Corporation and your Board. In order to avoid these difficulties, your consideration is invited to the possibility of the Home Owners' Loan Corporation being made free from the operation of Regulation W.

Regulation W, section 1, states that the Regulation applies to any person (meaning an individual, partnership, association, or corporation) who is engaged in the business of making extensions of instalment credit or of discounting or purchasing obligations arising out of extensions of instalment credit. Since June 12, 1936, Home Owners' Loan Corporation has not been engaged in the business of making extensions of instalment credit or of discounting or purchasing obligations arising out of extensions of instalment credit. However, in many instances it is necessary for the Corporation in order to protect its security, to facilitate the payment of obligations owing to it, or to promote the orderly liquidation of its assets, to advance its funds in payment of taxes, insurance premiums, repairs to or the reconditioning of, improvements situated upon the security real estate, and attorney fees, title examination, recording fees and other incidental expenses in connection with extending the terms of its existing obligations. Such advances, usually under \$1,000 in amount, are charged to the home owner's account and, unless payable on demand, are generally amortized over the unexpired term of the home owner's obligation and may, or may not, be secured by the existing duly recorded first lien on real estate, depending upon the provisions of the particular security instrument and the laws of the particular jurisdiction.

It is deemed desirable to point out that the Corporation is entirely owned by the Government and that its gains or losses in the liquidation of its assets will be the gains or losses of the Government and its taxpayers. If it should be determined that the Corporation, under Regulation W, is required to amortize within a period of 18 months such of the advances pointed out above as may not be on demand and may not be secured by existing duly recorded first liens on real estate, burdens will be imposed upon the home owners which in a large number of cases will exceed their carrying ability, thereby resulting in a larger number of foreclosures, the added costs and expense of liquidation, and the attendant increased risk of losses in the disposition of such acquired properties.

Your early consideration of this matter will be greatly appreciated.

Sincerely yours,

(Signed) John H. Fahey .

John H. Fahey,
Chairman.

S-402-f

October 25, 1941

Mr. John H. Fahey, Chairman,
Federal Home Loan Bank Board,
Washington, D. C.

Dear Mr. Fahey:

I acknowledge receipt of your letter of October 14, 1941, regarding the application of Regulation W to the operations of the Home Owners' Loan Corporation.

You state that since June 12, 1936 the Home Owners' Loan Corporation has not been engaged in the business of making extensions of instalment credit or of discounting or purchasing obligations arising out of such extensions, but that in many instances it is necessary for the Corporation, in order to protect its security, to facilitate the payment of obligations owing to it or to promote the orderly liquidation of its assets, to advance its funds in payment of taxes, insurance premiums, and repairs to or reconditioning of improvements situated upon the real estate held as security, as well as attorney's fees, title examination and recording fees and other incidental expenses in connection with extending the terms of its existing obligations. Such advances, usually under \$1,000 in amount, are generally amortized under the unexpired term of the home owner's obligation, and may or may not be secured by the existing first lien on the real estate.

I understand from your letter that Home Owners' Loan Corporation is not engaged in any business except such as is necessary to the orderly liquidation of the loans made by it prior to June 13, 1936. In these circumstances the Board of Governors is of the opinion that the Home Owners' Loan Corporation is not "engaged in the business of making extensions of instalment sale credit or instalment loan credit" (section 3(a) of Regulation W), and therefore that the Regulation is not applicable to the Corporation.

I take this opportunity of thanking you, on behalf of our Board, for the attitude of full cooperation which has been adopted by your Corporation in connection with this Regulation.

Sincerely yours,

(Signed) M. S. Eccles

M. S. Eccles,
Chairman.

S-402-g

FEDERAL HOME LOAN BANK BOARD
Washington

October 21, 1941

Honorable Marriner S. Eccles
Chairman, Board of Governors of the
Federal Reserve System
Washington, D. C.

My dear Mr. Eccles:

The Federal Home Loan Bank Board has received a number of inquiries from Federal savings and loan associations as to the application of Regulation W to their operations. In order that they will not be unduly burdened, we would appreciate your clarification of their position under the Regulation.

Federal savings and loan associations are chartered and regulated by our Board, in accordance with the provisions of the Home Owners' Loan Act of 1933, as amended. These institutions may only make loans secured by first liens on real estate or loans on the security of the shares of their members. They may in some cases make advances for the protection of the security property. These advances in all cases are secured either by the existing first lien, or, in a few states, where this is not permitted, they are secured by a bona fide second lien.

If loans on shares were refused to members requesting the same they would, of course, request the repurchase of their shares in such associations. Consequently, no new credit is created by such a loan. If share loans should be limited as to time and use of proceeds so that members would request the repurchase of their shares rather than borrow on them, the result might be (1) the release of more consumer's purchasing power than under the present practice and (2) the loss by associations of funds for possible loans on the security of first liens on real estate.

An early clarification of the application of Regulation W to the activities of these associations would be appreciated.

Very truly yours,

(Signed) John H. Fahey

John H. Fahey
Chairman

S-402-h

November 5, 1941

Mr. John H. Fahey, Chairman,
Federal Home Loan Bank Board,
Washington, D. C.

My dear Mr. Fahey:

I have your letter of October 21, 1941, regarding the application of Regulation W to Federal Savings and Loan Associations.

As you know, section 6(a) of Regulation W at present exempts from the down payment and maturity requirements of the Regulation all extensions of credit which are secured by recorded first liens on improved real estate, and after December 1 that section will also exempt all extensions of credit "for the purpose of financing or refinancing the construction or purchase of an entire residential building or other entire structure". Moreover, the Board of Governors has issued an interpretation (W-92) stating that, even prior to December 1, a second mortgage given by the purchaser to the seller as part of the purchase price is not covered by the Regulation. In addition, a lender may of course take such action as it shall deem necessary for its protection in connection with any obligation which is in default and which is the subject of collection effort.

However, the Regulation is applicable to any lender engaged in the business of making instalment loans of \$1,000 or less (after December 1 the figure will be \$1,500), and there is no exception in the Regulation which would exempt a loan by a Federal Savings and Loan Association to one of its members upon the security of his paid-up shares. For this reason the Board of Governors is of the opinion that an association engaged in the business of making such loans is subject to the requirements of the Regulation.

Very truly yours,

(Signed) Marriner S. Eccles

M. S. Eccles,
Chairman.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

384

s-403

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 10, 1941

Dear Sir:

There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached hereto, for the use of State bank members and their affiliates in submitting reports as of the next call date:

Number of
copies

- Form F.R. 105 (Call 89, Revised December 1941), Report of condition of State bank member.
- Form F.R. 105b (Revised August 1939), Loans and advances to affiliates and investments in, and loans secured by, obligations of affiliates.
- Form F.R. 105e (Call 89), Publisher's copy of report of condition of State bank member.
- Form F.R. 105-i (Schedule A.1, Revised December 1941), Personal and retail instalment paper.
- Form F.R. 220 (Revised August 1935), Report of affiliate or holding company affiliate.
- Form F.R. 220a (Revised December 1938), Publisher's copy of report of affiliate or holding company affiliate.
- Form F.R. 220b (Revised February 1938), Instructions for preparation of reports of affiliates and holding company affiliates.

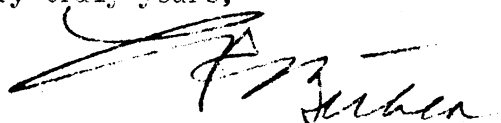
With the exception of form 105-i, and Schedule B of form F.R. 105, no changes have been made in any of the forms listed above since the last time they were used.

In form 105-i item 1 has been changed to segregate retail instalment paper arising from sales of automotive vehicles from other retail instalment paper. Item 2 in this form has been changed to exclude loans for the purpose of financing new construction (so-called "Classes 2 and 3" of F.H.A. Title I loans), and to include repair and modernization instalment loans other than those insured under Title I of the National Housing Act. A note has been added to the instructions on this form which, it is hoped, will assist the banks in properly reporting their personal and retail instalment paper in Schedule A of the call report. The Comptroller of the Currency is asking national banks and the Federal Deposit Insurance Corporation is asking insured nonmember banks to report their holdings of personal and retail instalment paper. It will not be necessary, however, for your bank to examine the schedules submitted by national banks as was done on the last June call; this, together with any necessary correspondence, will be handled by the Comptroller's office.

In Schedule B of form F.R. 105 provision has been made for reporting the par value, in addition to the book value, of United States Government obligations. It is suggested that this section of the report be carefully scrutinized to see if the par values reported appear to be consistent with the book values.

In addition to the preliminary summary of asset items 1 to 5, by classes of banks, which is now furnished the Board within three weeks after the call is made, please furnish at the same time corresponding summary figures of the aggregate par values of Government securities as reported in the new left-hand column opposite item 1 in Schedule B. Such data should also be furnished as of future call dates.

Very truly yours,



L. F. Betha,
Assistant Secretary.

Enclosures 7

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

December 12, 1941

W-115. Board has been asked the following question:

"Registrant is asked to consolidate three outstanding obligations repayable \$10 each on 10th, 15th and 20th of current month respectively with an additional advance of \$90 repayable \$5 per month. In consolidating these obligations may Registrant, under section 8(b) 'Option One', schedule first payment of \$35 one month from date of such consolidation even though this may result in extending credit on outstanding obligations beyond the maximum 18 months maturity."

Option 1 requires that the terms of the consolidated obligation shall be such as would have been necessary to meet the requirements of the Regulation if no consolidation had taken place, and therefore the consolidated obligation can not have a schedule of payments which would have the effect of omitting a payment which would have been due on the outstanding obligations during the month when the consolidation took place, or which would have the effect of extending the maturity of any of the outstanding obligations beyond the terms permitted by the Regulation, namely, 18 months plus the 15-day adjustment permitted by section 9(b).

Under Option 1 the consolidated obligation can provide for one payment each month, and in order to accomplish this result the date of payment may be earlier in the month than the dates on which the instalments on any of the outstanding obligations were payable, or it may be later to the extent permitted by section 9(b) with respect to the outstanding obligations. For example, in the case described in the question, if the outstanding obligation which was repayable on the 10th of each month had been originally made on the 5th so that only 5 days out of the 15 days permitted by section 9(b) had been used, the consolidated obligation could call for instalments payable on the 20th.

Furthermore, the \$5 payable on account of the new \$90 advance would not have to be included in the first instalment but could be included in the instalment falling due in the month after the consolidation took place. In other words, the consolidated loan could have a \$30 instalment in the current month, and \$35 instalments in the next months.

S-405
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

December 15, 1941

W-116. The Board has been asked whether the deferred balance on an automobile equipped with radio and heater is limited to 66-2/3 per cent of the total price or whether it can be 66-2/3 per cent of the price of the car plus 80 per cent of the price of the radio and 100 per cent of the price of the heater.

The deferred balance may not exceed 66-2/3 per cent of the total price of the car and accessories, in view of Part 3(a) of the Supplement, and this would also be true if the accessories were not installed in the car at the time of sale but were sold at about the same time.

An automobile radio sold at a different time would be included in the classification "Radio receiving sets, phonographs, or combinations" in Group C.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-406
Reg. F-29

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 15, 1941



Dear Sir:

There is enclosed for your information a ruling by the Treasury Department, dated December 9, 1941, together with the Board's reply thereto, on the investment by member banks of Common Trust Funds in United States Savings Bonds.

In this connection your attention is called to the Board's ruling of June 23, 1941, S-272, (F.R.L.S. #4101.1) as to the periodical valuation of such bonds in the assets of a Common Trust Fund.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea".

L. P. Bethea,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

TREASURY DEPARTMENT
Washington

December 9, 1941

My dear Mr. Wingfield:

My attention has been called to your request by telephone that you be advised of the position taken by this Department as to whether a Common Trust Fund, established and maintained in conformity with Section 17 of Regulation F of the Board of Governors of the Federal Reserve System, may be considered a duly constituted and wholly independent trust estate and, as such, entitled to hold United States Savings Bonds without regard to any such bonds held by participating estates. It is understood that you propose to call the matter to the attention of the member banks of the Federal Reserve System.

Where a national bank or other financial institution, duly authorized to act as a fiduciary, has established and maintains a Common Trust Fund in conformity with Section 17 of Regulation F of the Board of Governors of the Federal Reserve System and as recognized in Section 169 of the Internal Revenue Code, if authorized under the laws of the state where the institution is located, this Department will consider the Fund as a duly constituted and wholly independent trust estate within the meaning of Section 315.2 (c) (2) of Treasury Department Circular No. 530, Fourth Revision, as amended. Such a trust estate may hold United States Savings Bonds for which the fiduciary form of registration is authorized in the full amount of the established limit, as prescribed in Section 315.4 of the circular, without regard to any such bonds held by participating estates. Savings Bonds of Defense Series F or Defense Series G, the only series of savings bonds now on sale which may be registered in fiduciary form, purchased with funds held by a Common Trust Fund so established and maintained, may be registered in substantially the following form:

"_____ Trust Company of _____, _____, trustee of Common Trust Fund under Declaration of Trust approved by resolution of the board of directors adopted _____ (date)."

The Department will appreciate your calling this matter to the attention of the member banks of the Federal Reserve System.

Very truly yours,

(Signed) D. W. Bell

Under Secretary of the Treasury.

Mr. B. McGruder Wingfield,
Assistant General Counsel,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

S-406-b
Reg. F-29

December 15, 1941

Honorable D. W. Bell,
Under Secretary of the Treasury,
Washington, D. C.

Dear Mr. Bell:

This refers to your letter of December 9, 1941, addressed to Mr. B. Magruder Wingfield, Assistant General Counsel to the Board, advising of the position taken by the Treasury Department as to whether a duly established Common Trust Fund may be considered a wholly independent trust estate and, as such, entitled to hold United States Savings Bonds without regard to any such bonds held by participating estates.

In accordance with your request, we expect to bring this ruling to the attention of the member banks of the Federal Reserve System by publication in the next issue of the Federal Reserve Bulletin.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

S-407
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

December 17, 1941

W-117. Inquiries have been received as to the application of Regulation W to loans of \$1,000 or less for the purpose of constructing new farm buildings, such as barns, silos, poultry houses and the like, on property where there are existing buildings, such as a farm house. The question is whether or not the materials and services used in such construction are included in Group E-1 of the Supplement. The Board has ruled that the building of a completely new structure is not a repair, alteration, or improvement in connection with existing structures and the materials and services would not be in Group E-1.

S-408
Reg. Q-43

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

December 17, 1941

TELEGRAM

Young - Boston
Sproul - New York
Williams - Philadelphia
Leach - Richmond
McLarin - Atlanta

Young - Chicago
Davis - St. Louis
Leedy - Kansas City
Gilbert - Dallas
Day - San Francisco

In response to inquiries from two Federal Reserve Banks with respect to the question whether permission should be given for the withdrawal, for the purpose of purchasing United States Defense Bonds, of time deposits before maturity, or of savings deposits without requiring notice of withdrawal (where it is the practice of the bank to require such notice), the Board has replied as follows, having in mind that Regulation Q permits the payment of time deposits before maturity in certain emergencies but does not extend this privilege to savings deposits:

"Emphasis of defense bond campaign is on voluntary character of investment and upon use for this purpose of funds currently available. Therefore, circumstances do not constitute an emergency within meaning of section 4(d) of regulation Q and to amend regulation so as to permit immediate withdrawal to purchase defense bonds might result in misunderstanding as to Government's need of funds from this source."

(Signed) Chester Morrill

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMINTERPRETATION OF LAW OR REGULATION

December 20, 1941

W-118. The Board has been asked whether, in view of the provisions of sections 8(a), (b) and (c) of Regulation W, a Registrant "taking over an extension of instalment credit that has been made by a vendor and that has no connection whatever with the sale of a listed article, must be bound by the terms granted by that vendor".

The Board has answered that, since the obligation being retired in such case is neither "instalment loan credit" nor "instalment sale credit" as defined in the Regulation, and therefore was not itself subject to Regulation W, a Registrant making a loan to retire such an obligation is not bound by the terms granted by the vendor. This, of course, does not exempt the loan from the maximum maturity and other provisions of the Regulation applicable generally to instalment loan credit. Moreover, in such a case, if a Registrant making the loan wished to grant terms more liberal than those granted by the vendor, it would be necessary for him to ascertain that the credit being refinanced was in fact credit arising from the sale of an unlisted article.

In this connection, the "Statement of Borrower" prescribed by the Board provides a means for the Registrant to ascertain certain facts, including facts as to whether the proceeds are to be used to retire an instalment obligation, and it protects the Registrant in relying in good faith on such facts when so ascertained. However, the "Statement of Borrower" does not provide any means for ascertaining facts in addition to those developed in answering the questions contained in the prescribed form. Certain other provisions of the Regulation provide means for establishing certain pertinent facts by accepting in good faith a statement of the obligor with respect to such facts; but neither the "Statement of Borrower" nor any provision of the Regulation provides any means for ascertaining whether instalment credit being retired, instead of being "instalment loan credit" or "instalment sale credit", is some different type of instalment credit. Accordingly, if the Registrant wishes to disregard the terms of the instalment obligation being retired, he must ascertain the necessary facts independently of the "Statement of Borrower", and the treatment which he may accord to the instalment obligation being retired will be controlled by the facts themselves.

It may be noted that a similar problem arises in the case of a loan to retire an extension of "instalment sale credit" or "instalment loan credit" which was originally granted with a shorter maturity than that required by the Regulation and on which, therefore, the Regulation would permit the rate of payment to be reduced to that permissible in the first instance. The question whether a particular outstanding obligation is one on which the rate of payment could be reduced in this manner is another question which is not answered in the "Statement of Borrower" and on which the Registrant is not authorized to rely on any other statement of the obligor. Therefore, if the Registrant making the loan to retire the obligation wishes to reduce the rate of payment, he must act independently of the "Statement of Borrower", and the treatment which he may accord to the instalment obligation being retired will depend upon the facts themselves.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

395

S-410

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1941

Dear Sir:

Enclosed is a copy of a letter with respect to the application of Regulation W to the financing of special wiring installations made in connection with electric ranges or water heaters.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-410-a

December 17, 1941

Mr. _____,

_____.

Dear Mr. _____:

It has been noted that in previous communications to you the Board has failed to comment upon a memorandum from your _____ office which was enclosed with your letter of _____. This memorandum raised a question as to the application of Regulation W to the financing of special wiring installations made in connection with electric ranges or water heaters.

These special wiring installations are considered to be improvements and, when they are made under the conditions referred to in Group E-1 of the Supplement, the contracts would be subject to the 18-month limitation.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

397

S-411

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1941

Dear Sir:

Referring to the Board's letter of November 19, 1941 (R-918), regarding the use of Form F.R. 158 by officers and employees of the Federal Reserve Banks in obtaining exemption from the Federal tax on the transportation of persons, a question has arisen as to whether such exemption extends to the directors of the Federal Reserve Banks.

In 1921, under a similar transportation tax, the Bureau of Internal Revenue ruled informally that a director of a Federal Reserve Bank who was traveling in the performance of his official duties and whose transportation charges were paid by the Federal Reserve Bank was exempt from that tax.

A member of the Board's staff in a telephone conversation with a representative of the Bureau of Internal Revenue has recently been advised informally that the same principles are applicable under the present statute. Therefore directors of Federal Reserve Banks and their branches, as well as officers and employees of the Federal Reserve Banks, when traveling on official business, may use Form F.R. 158, as revised November 1941, in order to obtain exemption from the Federal tax on the transportation of persons.

Very truly yours,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", is written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-412
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

December 22, 1941

W-119. Notes payable to insurance agents or brokers for premiums are not subject to Regulation W, because insurance is not a "listed article" under the Regulation, and the agents and brokers are "sellers" within the meaning of section 2(d).

Financial institutions may purchase such notes regardless of the requirements of the Regulation.

However, instalment loan credit extended by a financial institution for the purpose of paying premiums is subject to the Regulation, except as provided in section 6.

S-413
Reg. O-44

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

December 23, 1941

Mr. _____, President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to the report of examination of The _____ Bank, _____, _____, as of October 28, 1941, on page 21 of which it is stated that the executive officers of the bank have not filed with the board of directors statements of their existing indebtedness to other banks for the reason that "officers' loans from other banks existed at the time of admission to the System".

The Board has not heretofore ruled on this specific question, but has taken the position that the indebtedness of an executive officer to another bank incurred prior to the time he became an executive officer should be reported to the board of directors. Section 22(g) of the Federal Reserve Act provides in part that "If any executive officer of a member bank borrow from or if he be or become indebted to any bank other than a member bank of which he is an executive officer, he shall make a written report to the board of directors of the member bank". In view of this language, it is the opinion of the Board that the indebtedness of the executive officers of the bank in question should be reported to its board of directors, notwithstanding that the loans existed at the time of the admission of the bank to the Federal Reserve System.

We will leave it to your discretion as to whether you should take this matter up with the member bank prior to its next examination, but in any event the attention of your examiner should be called to the Board's position in this matter.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

400

S-414

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 26, 1941

Dear Sir:

For your information there is enclosed a copy of a letter written to a Federal Reserve Bank regarding section 8(b) of Regulation W.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-414-a

December 26, 1941

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Receipt is acknowledged of your letter of December 16 addressed to Dr. Parry regarding section 8(b) of Regulation W.

The question, which is raised by an example in an interpretation of Regulation W prepared by the American Association of Personal Finance Companies, and also by another inquiry received by you, is as follows: Where a loan which was originally made for less than 18 months is consolidated under section 8(b) with an additional advance, do Options 1 and 2 require that the payments on the consolidated obligations be arranged on the basis of the terms which were in effect on the outstanding obligation at the time of consolidation, or may the terms of the consolidated obligation be arranged on the basis which would have been permissible under Option 1 or Option 2 if the terms of the outstanding obligation had been extended to the full 18 months prior to the consolidation?

Section 8(b) refers to the rate of payment on the outstanding obligation which was in effect at the time of consolidation, and therefore might be interpreted as prohibiting a consolidation based on any longer terms. However, under section 8(a) and section 8(c) the outstanding obligation could be revised to an 18-month basis, and immediately after such revision an additional loan could be made and then consolidated with the previous obligation, as revised. In other words by performing the transaction in two steps, the result could be accomplished without violating the literal terms of the Regulation. Accordingly, it would be futile to say that the Registrant is prohibited from accomplishing the result in one step. Therefore the Board is of the opinion that the example given by the American Association of Personal Finance Companies is correct.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

402

S-415

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 30, 1941

Dear Sir:

For your information there is enclosed a copy of a letter written to a Federal Reserve Bank regarding the question whether a proposed schedule of payments complies with the requirements of Section 5(c)(2) of Regulation W.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-415-a

December 24, 1941

Mr. _____,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Receipt is acknowledged of your letter of December 11 enclosing a copy of a letter dated December 3 from the _____ Finance Corporation to Mr. _____, Assistant Deputy Superintendent, Banking Department, State of _____.

The question is whether a proposed schedule of payments complies with the requirements of section 5(c)(2) of Regulation W which requires that no instalment shall be substantially greater than any preceding instalment. The schedule calls for 15 monthly payments which are equal in amount, followed by 3 smaller payments to cover the remaining balance of principal and interest. However, in order to avoid undue complexity in calculating the amounts of the various payments, and also in order to avoid a conflict with certain State requirements, the last payment is larger than the preceding payment, although, as stated above, all of the last 3 payments are substantially smaller than the 15 preceding payments.

The principal purpose of section 5(c)(2) was to prevent a balloon note at the end of the series. Obviously the schedule of payments described in the letter of the _____ Finance Company is not in conflict with this purpose, and in view of the fact that the last payment is very much smaller than any of the first 15 payments, the Board is of the opinion that it should not be regarded as violating the above requirement of the Regulation.

A somewhat similar question was presented by another inquiry received from Mr. _____ in _____. In that case certain of the instalments were increased by adding semiannual or other periodic interest payments. In case you may be interested, a copy of the Board's reply to Mr. _____ is enclosed.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

Enclosure

TS-415-b

November 28, 1941

Mr. _____,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Receipt is acknowledged of your letter of November 7 and enclosures regarding the practice of certain banks in your district of making instalment loans calling for repayment of the principal in equal monthly instalments but for payment of interest quarterly or semiannually on the diminishing balance. The question is whether this practice is permissible in view of section 5(c)(2) which provides that no instalment shall be substantially greater in amount than any preceding instalment.

The principal purpose of section 5(c)(2) was to prevent a balloon note at the end of the series, and obviously the practice to which you refer is not in conflict with this purpose. Furthermore, where the difference in the size of various monthly payments is the result of adding interest, the difference will usually be small as compared with a difference resulting from a larger payment of principal. Of course extreme cases may be imagined, as where all of the interest on a 12-month loan is payable with the final instalment, which might result in a final instalment nearly double the amount of the preceding instalment. On the other hand, where the interest on such a loan is payable quarterly, the arrangement would usually not be in conflict with the Regulation.

It is not possible to lay down a fixed rule, since the word "substantially" must be interpreted in the light of the facts of each case, but it is hoped the general principles discussed above will enable you to handle particular inquiries.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

S-416, S-417
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

December 31, 1941

W-120. The classification "Plumbing and sanitary fixtures designed for household use" does not include piping or other plumbing supplies not a part of such fixtures, although these items may fall within the classification of materials and services referred to in Group E-1 of Part 1 of the Supplement. It is to be noted, however, that for purposes of determining the maximum amount of credit, the bona fide cash purchase price of the fixtures includes the cost of accessories such as faucets, cabinets, or shower attachments installed with the fixtures. Also included in the bona fide cash purchase price of the fixtures is the cost of installation of the fixtures and accessories but not the cost of installation of separate piping and fittings.

W-121. The classification "Water pumps designed for household use" includes windmills designed for pumping water to a tank from which the water is piped for various uses. The windmill is the principal part of the pumping mechanism in these cases and therefore is included even though purchased separately.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

P-1261

(On office copies
only)

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 3, 1941



Dear Sir:

The Presidents, at their Conference held in Washington on September 28, discussed with the Board their employment problems arising out of the present National emergency. The Board recognizes the necessity of taking steps to meet these problems. Therefore, it authorizes the Federal Reserve Banks to pay such supplemental compensation or allowance as their Directors deem necessary from time to time up to a maximum of 10 per cent per annum on the first \$1,800 of annual salary to members of their staffs receiving salaries of less than \$6,000, provided, however, that such supplemental compensation shall not increase total compensation beyond \$6,000 per annum.

Such supplemental compensation may be made retroactive to September 1 if desired and may be paid monthly or at other intervals, if preferred. Supplemental payments should not be considered as a part of basic salary nor should they be referred to as bonuses and no contributions to the Retirement System should be made in respect thereto.

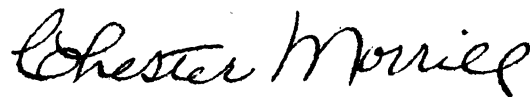
It is expected that each Bank, in fixing its own rates of supplemental compensation, will be guided by such factors as the local employment situation, including increasing opportunities for employment elsewhere at higher salaries, the policies being followed by other institutions in its area, the extent to which it may have increased salaries during recent months, and changes that have taken place in living costs.

It should be understood that the Board reserves the right either to cancel or amend at any time the authority granted herein for the payment of supplemental compensation. The Board has given its approval to the above plan in the belief that it

(On office copies
only)

represents a better method of dealing with emergency conditions
than would increases in basic salaries.

Very truly yours,



Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 18, 1941

Dear Sir:

It will be appreciated if you will mail to the Board as soon as practicable after January 1 a copy of the budget approved by your bank for its head office and each of its branches, if any, and for the head office and branches combined, for the calendar year 1942.

It will also be appreciated if the 1942 budgets furnished to the Board are prepared along functional lines in accordance with the sample form, B-1263a, attached, totals for each function being shown as in the functional expense report, Form E.

Please also submit statements on Form B-1263b and B-1263c showing the itemization of the budgets of the statistical and analytical and bank examination functions.

In addition kindly prepare and submit with each budget statement a memorandum setting forth in general the reasons for the principal increases and decreases in the budget estimates for 1942 as compared with actual expenses during 1941.

A supply of forms B-1263a, B-1263b, and B-1263c is enclosed.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(Enclosures with addressed copies only)

Federal Reserve Bank of _____

(Indicate whether head office, branch or "combined" report)

Function	Expenses, Year 1941	Budget, Year 1942
General overhead - Controllable		
General overhead - Noncontrollable		
Provision of space (less income and distribution)		
Furniture and equipment		
Provision of personnel		
General service		
Postage		
Insurance		
Failed banks		
Loans, rediscounts, and acceptances		
National defense		
Securities		
Currency and coin		
Check collection		
Noncash collection		
Accounting		
Legal		
Bank and public relations		
Auditing		
Bank examination		
Federal Reserve note issues		
Statistical and analytical		
Securities exchange		
Fiscal agency, custodianship, and depositary:		
Reimbursable expense		
Expense not reimbursable		
Foreign		
TOTAL (column 1 must agree with Form E)		

Federal Reserve Bank of _____ (Indicate whether head office, branch or "combined" report)

Expense unit	Expenses, Year 1941	Budget, Year 1942
--------------	------------------------	----------------------

1. Statistical:

- a. Salaries - Officers*
- b. Salaries - Employees
- c. Retirement system contributions
for current service
- d. Traveling expenses
- e. Printing, stationery, and supplies
- f. Telephone and telegraph
- g. Postage and expressage
- h. All other

TOTAL

2. Monthly letter:

- a. Printing and stationery
- b. Postage and expressage

TOTAL

3. Library:

- a. Salaries - Officers*
- b. Salaries - Employees
- c. Retirement system contributions
for current service
- d. Traveling expenses
- e. Printing, stationery, and supplies
- f. Telephone and telegraph
- g. Newspapers, periodicals, books,
binding, clipping service, etc.
- h. All other

TOTAL

TOTAL, STATISTICAL AND
ANALYTICAL

Number of copies of Monthly Letter
printed for month of December 1941

*Indicate in a footnote the complete allocation of the time and salary of each officer whose salary is charged in whole or in part to this unit.

Federal Reserve Bank of _____ (Indicate whether head office, branch or "combined" report)

<u>Bank Examination Function</u>	Expenses, Year 1941	Budget, Year 1942
a. Salaries - Officers*		
b. Salaries - Employees		
c. Retirement system contributions for current service		
d. Traveling expenses		
e. Printing, stationery, and supplies		
f. Telephone and telegraph		
g. Copies of bank examination reports		
h. All other		
TOTAL		
DEDUCT - EXPENSES CHARGED AGAINST BANKS EXAMINED		
NET TOTAL, BANK EXAMINATION		

*Indicate in a footnote the complete allocation of the time and salary of each officer whose salary is charged in whole or in part to this function.

B-1264
(On office copies
only)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 19, 1941

Dear Sir:

It will be appreciated if you will furnish for the Board's forthcoming annual report the usual data relative to the number of member banks accommodated through the discount of paper, the number of member banks in operation, and the number of nonmember banks on and not on the par list. The data should be prepared in the manner and include information similar to that requested in our letter of November 8, 1940 (R-728).

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

B-1265
(On office copies
only)

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 8, 1941.

Dear Sir:

There are being forwarded to you under separate cover the number indicated of the following forms for use by your Bank during 1942:

<u>Number of copies</u>	<u>Form</u>
Form E	Functional Expense Report
F. R. 38	Classification of Discounted and Purchased Bills Held at End of Month
F. R. 95	Current Earnings of Federal Reserve Bank
F. R. 96	Current Expenses of Federal Reserve Bank
F. R. 96a	Reimbursable Expenses of Federal Reserve Bank
F. R. 160)	
160A)	Receipts and Payments of Paper Currency--
160B)	Monthly report
160C)	

Form F. R. 31 is now in the hands of the printer and your supply will be forwarded in due course.

The supply of forms for branches has been mailed direct.

Very truly yours,

J. R. Van Fossen
J. R. Van Fossen, Assistant Chief,
Division of Bank Operations.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTONADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 19, 1941

Dear Sir:

For use in connection with discussions of the subject of bank debits at the forthcoming conference of representatives of the Reserve Banks' research and statistical divisions, there is enclosed a draft of a letter and accompanying forms which we may send to the Federal Reserve Banks early next year. The information proposed to be called for would be useful in determining whether it is feasible and desirable to obtain bank debits figures from nonreporting banks located in reporting centers. It is hoped that the conferees will be in a position to express some views on this question even in the absence of the contemplated statistics. Some consideration may also be given to the desirability of adding any important centers that do not now report, particularly in areas not adequately represented.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. L. Smead".

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures 3

TO THE HEADS OF STATISTICAL DIVISIONS OF ALL FEDERAL RESERVE BANKS.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



January , 1942

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Dear Sir:

In order to ascertain which banks in reporting centers are covered by the present bank debits statistics and which ones are not covered, as well as the amounts of their deposits, it will be appreciated if you will have prepared the summary data called for by the enclosed form, to be supplemented by a list, made up in accordance with the accompanying outline, showing the name and deposits of each individual bank (exclusive of mutual savings banks) in all centers included in the Board's bank debits statements. If the debits of any banks in centers not included in the Board's compilations are now being regularly reported to you, please furnish also a list of such banks.

Consideration is being given to the desirability of shifting the reporting of debits from a weekly to a monthly basis, since it appears that the significance of the figures might actually be increased thereby, and the cost of compiling the reports would be considerably reduced. I should be glad to know whether or not you think this proposal has merit and should possibly be adopted.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

B-1266a

LIST OF BANKS IN REPORTING CENTERS WHOSE DEBITS ARE INCLUDED AND
NOT INCLUDED, RESPECTIVELY, IN BOARD'S BANK DEBITS STATEMENTS

417

January 1942

Class of bank	Name of bank	Total deposits ^{1/} (in thousands of dollars)
---------------------	--------------	--

(Name and population of center)

^{1/} The deposit figures should be as of June 30, 1941 and should exclude, so far as practicable, deposits of branches or offices not located in the given center (provided the debits reports do not cover any such branches or offices; if they do, please so indicate). If the only available deposit figures include deposits of branches outside the given center, that fact should be indicated. The information as to deposits and insurance status of nonmember banks may be taken, so far as available, from a bank directory.

Note--List first the banks included in the Board's compilations, followed by those in reporting centers that are not so included.

B-1266c



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

B-1267
(On office copies only) **418**

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 29, 1941.

Dear Sir:

Upon receipt of inquiries from a number of Federal Reserve Banks regarding the procedure to be followed in requesting reimbursement for "Supplemental compensation" paid fiscal agency employees, we discussed the matter informally with representatives of the Treasury Department and have been advised that the procedure outlined in the attached forms will be satisfactory to that Department. We have also been advised informally that it will be satisfactory to the General Accounting Office.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.

Enclosures 10

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM (On office copies
only)
WASHINGTON

B-1268

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 26, 1941



Dear Sir:

It has been decided to revise the form of the Par List as of January 1, 1942, by (1) eliminating the lists of State bank members and nonmember clearing banks, and (2) listing only the cities served by one Federal Reserve office in States where all banks are on the Par List but are served by two Federal Reserve offices. In the latter case it will be clearly indicated that the remaining cities are served by another (specified) Federal Reserve Bank or Branch.

The revisions have been indicated on a copy of the July 1, 1941, issue of the Par List, which has also been brought up to date as of December 1 on the basis of the last monthly supplement. A photostat copy of your district's portion of this copy of the Par List is enclosed. It will be observed that some minor changes in phraseology of headnotes have been made in the interest of consistent presentation.

It will be appreciated if you will advise the Board by telegram on January 2, if practicable, of any changes necessary to bring your district's portion of the Par List up to date as of January 1, 1942, also whether the changes in the form of the Par List indicated on the enclosed copy are satisfactory.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

Enclosure