BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-943

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 1, 1942

Dear Sir:

There is enclosed for your information a copy of Executive Order No. 9001 issued by the President of the United States on December 27, 1941, authorizing the War and Navy Departments and the United States Maritime Commission to perform the functions and exercise the powers described in Title II of the Act of December 18, 1941, pertaining to Government contracts. This Executive Order is printed at page 6787 of the Federal Register for Tuesday, December 30, 1941, and is called to your attention because of the information it contains with respect to the manner in which defense contracts may be handled. The Executive Order was not received soon enough to be included in the January 1942 Bulletin but we expect to print it in the February issue for the information of member banks.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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R-943-a

EXECUTIVE ORDER NO. 9001
AUTHORIZING THE WAR DEPARTMENT, THE NAVY DEPARTMENT, AND THE UNITED STATES MARITIME COMMISSION TO PERFORM THE FUNCTIONS AND EXERCISE THE POWERS DESCRIBED IN TITLE II OF AN ACT APPROVED DECEMBER 18, 1941, ENTITLED "AN ACT TO EXPEDITE THE PROSECUTION OF THE WAR EFFORT", AND PRESCRIBING REGULATIONS FOR THE EXERCISE OF SUCH FUNCTIONS AND POWERS

The successful prosecution of the war requires an all-out industrial mobilization of the United States in order that the materials necessary to win the war may be produced in the shortest possible time. To accomplish this objective it is necessary that the Departments of War and the Navy and the United States Maritime Commission cooperate to the fullest possible degree with the Office of Production Management in the endeavor to make available for the production of war material all the industrial resources of the Country. It is expected that in the exercise of the powers hereinafter granted, these Agencies and the Office of Production Management will work together to bring about the conversion of manufacturing industries to war production, including the surveying of the war potential of industries, plant by plant; the spreading of war orders; the conversion of facilities; the assurance of efficient and speedy production; the development and use of subcontracting to the fullest extent and the conservation of strategic materials.

TITLE I

1. By virtue of the authority in me vested by the Act of Congress, entitled "An Act to expedite the prosecution of the War effort", approved December 18, 1941, (hereinafter called "the Act") and as President of the United States and Commander-In-Chief of the Army and Navy of the United States, and deeming that such action will facilitate the prosecution of the war, I do hereby order that the War Department, the Navy Department, and the United States Maritime Commission be and they hereby respectively are authorized within the limits of the amounts appropriated therefor to enter into contracts and into amendments or modifications of contracts heretofore or hereafter made, and to make advance, progress, and other payments thereon, without regard to the provisions of law relating to the making, performance, amendment, or modification of contracts. The authority herein conferred may be exercised by the Secretary of War, the Secretary of the Navy, or the United States Maritime Commission respectively or in their discretion and by their direction respectively may also be exercised through any other officer or officers or civilian officials of the War or the Navy Departments or the United States Maritime Commission. The Secretary of War, the Secretary of the Navy, or the United States Maritime Commission may confer upon any officer or officers of their respective departments, or civilian officials thereof, the power

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to make further delegations of such powers within the War and the Navy Departments, and the United States Maritime Commission.

2. The contracts hereby authorized to be made include agreements of all kinds (whether in the form of letters of intent, purchase orders, or otherwise) for all types and kinds of things and services necessary, appropriate or convenient for the prosecution of war, or for the invention, development, or production of, or research concerning any such things, including but not limited to, aircraft, buildings, vessels, arms, armament, equipment, or supplies of any kind, or any portion thereof, including plans, spare parts and equipment therefor, materials, supplies, facilities, utilities, machinery, machine tools, and any other equipment, without any restriction of any kind, either as to type, character, location or form.

3. The War Department, the Navy Department, and the United States Maritime Commission may by agreement modify or amend or settle claims under contracts heretofore or hereafter made, may make advance, progress, and other payments upon such contracts of any percentum of the contract price, and may enter into agreements with contractors and/or obligors, modifying or releasing accrued obligations of any sort, including accrued liquidated damages or liability under surety or other bonds, whenever, in the judgment of the War Department, the Navy Department, or the United States Maritime Commission respectively the prosecution of the war is thereby facilitated. Amendments and modifications of contracts may be with or without consideration and may be utilized to accomplish the same things as any original contract could have accomplished hereunder, irrespective of the time or circumstances of the making of or the form of the contract amended or modified, or of the amending or modifying contract, and irrespective of rights which may have accrued under the contract, or the amendments or modifications thereof.

4. Advertising, competitive bidding, and bid, payment, performance or other bonds or other forms of security, need not be required.

TITLE II

Pursuant to Title II of the Act and for the protection of the interests of the United States, I do hereby prescribe the following regulations for the exercise of the authority herein conferred upon the War Department, the Navy Department, and the United States Maritime Commission.

1. All contracts and all purchases made pursuant to the Act and this Executive Order shall be reported to the President of the United States. Such reports shall be made at least quarter-annually, provided, however, that purchases or contracts of less than $100,000 may be consolidated in such reports with other such purchases and need not be separately

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set forth. In case the War Department, the Navy Department, or the United States Maritime Commission shall deem any purchase or contract to be restricted, confidential, or secret in its nature by reason of its subject matter, or for other reasons affecting the public interest, such purchases or contracts shall not be included with those described in the report just mentioned, but shall be included in a separate report containing such restricted, confidential, or secret purchases or contracts. The Secretary of War, the Secretary of the Navy, and the United States Maritime Commission shall make public so much of such reports (other than those reports covering restricted, confidential, or secret contracts or purchases) as they shall respectively deem to be compatible with the public interest.

2. Notwithstanding anything in the Act or this Executive Order the War Department, the Navy Department, and the United States Maritime Commission shall not discriminate in any act performed thereunder against any person on the ground of race, creed, color or national origin, and all contracts shall be deemed to incorporate by reference a provision that the contractor and any subcontractors thereunder shall not so discriminate.

3. No claim against the United States arising under any purchase or contract made under the authority of the Act shall be assigned except in accordance with the Assignment of Claims Act, 1940 (Public No. 811, 76th Congress, approved October 9, 1940).

4. Advance payments shall be made hereunder only after careful scrutiny to determine that such payments will promote the national interest and under such regulations to that end as the Secretary of War, the Secretary of the Navy, or the United States Maritime Commission may prescribe.

5. Every contract entered into pursuant to this order shall contain a warranty by the contractor in substantially the following terms:

> The contractor warrants that he has not employed any person to solicit or secure this contract upon any agreement for a commission, percentage, brokerage, or contingent fee. Breach of this warranty shall give the Government the right to annul the contract, or, in its discretion, to deduct from the contract price or consideration the amount of such commission, percentage, brokerage, or contingent fees. This warranty shall not apply to commissions payable by contractors upon contracts or sales secured or made through bona fide established commercial or selling agencies maintained by the contractor for the purpose of securing business.

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6. Nothing herein shall be construed to authorize the cost-plus-a-percentage-of-cost system of contracting.

7. Nothing herein shall be construed to authorize any contracts in violation of existing law relating to limitation of profits, or the payment of a fee in excess of such limitation as may be specifically set forth in the act appropriating the funds obligated by a contract. In the absence of such limitation, the fixed fee to be paid the Contractor as a result of any cost-plus-a-fixed-fee contract entered into under the authority of this Order shall not exceed seven per centum of the estimated cost of the contract (exclusive of the fee as determined by the Secretary of War, the Secretary of the Navy, or the United States Maritime Commission, as the case may be).

8. No contract or modification or amendment thereof shall be exempt from the provisions of the Walsh-Healey Act (49 Stat. 2036) because of being entered into without advertising or competitive bidding, and the provisions of such act, the Davis-Bacon Act, as amended (49 Stat. 1011), the Copeland Act, as amended (48 Stat. 948), and the Eight Hour Law, as amended by the Act of September 9, 1940 (Public No. 781, 76th Congress) if otherwise applicable shall apply to contracts made and performed under the authority of this Order.

FRANKLIN D. ROOSEVELT

The White House,

December 27, 1941.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-944

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 5, 1942

Dear Sir:

We have received reports that a number of State and local governments have been holding some of their liquid funds in the form of currency. In view of the rapid increase in the volume of currency in circulation during recent years, particularly in large denomination bills, we are interested in determining the prevalence of this practice and to what extent it has been growing or declining. We are therefore requesting each Federal Reserve Bank to obtain reports of the amount of cash on hand, i.e. coin and currency, held by the State governments whose capital is located in the Bank's district and by several of the more important local government units in the district. The figures should be obtained from official published reports wherever possible. If no such reports are published by government units that are of considerable financial importance, however, it would be desirable to get in touch with the appropriate government officials to see if such information can be made available for our confidential use. For purposes of comparison, the reports should show the volume of cash on hand held on some recent date and on the same date two or three years ago, such as December 31, 1941 and December 31, 1938.

In requesting this information, we realize that the situation is complicated by the fact that there are frequently a number of autonomous and overlapping government units within the same area and that funds of any one government unit may be in the custody of several officials. In such cases it is not necessary to obtain complete coverage of these units, but we are hoping that an adequate sample of those of substantial financial importance can be covered.

If it is not possible to obtain such figures, it would be desirable for representatives of your Bank to discuss with the appropriate government officials their practice with regard to the holding of currency and whether this practice has been substantially changed during the past two or three years.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

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R-945

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

January 6, 1942

For immediate release

Preliminary figures received from the Federal Reserve Banks indicate that during the year 1941 their current earnings amounted to $41,380,000, which was $2,157,000 less than in 1940. Current expenses amounted to $32,963,000, or $3,798,000 more than in 1940. Resulting current net earnings for 1941 were $8,417,000, as compared with $14,372,000 for 1940.

After taking into consideration additions to current net earnings, consisting principally of profits on sales of United States Government securities, and deductions from current net earnings for charge-offs on bank premises and reserves for losses on industrial advances and commitments, net earnings totaled $9,137,000 for the year 1941. For the year 1940 net earnings amounted to $25,860,000.

Net earnings for 1941 were distributed as follows: Dividends to member banks, $8,430,000; payments to the United States Treasury under provisions of Section 13b of the Federal Reserve Act relating to industrial advances, $141,000; net additions to surplus accounts, $566,000.

On December 31, $133,000 was transferred from surplus to reserves for contingencies.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-946

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 12, 1942

Dear Sir:

Several of the Federal Reserve Banks have forwarded to the Board letters received from bankers in their respective districts reporting instances of depositors withdrawing funds from their savings accounts because of rumors to the effect that the Government intends to confiscate all the savings deposits. Although the press has published denials of such rumors by the Secretary of the Treasury, the Department has advised us informally that it has not issued a formal press release on the subject. The Treasury has, however, replied individually to inquiries which it has received.

For your information in this connection, there are enclosed copies of a telegram dated December 17, 1941 and two letters dated January 8, 1942, addressed to a State banking commissioner, a bank, and a savings and loan association, respectively, by the Under Secretary of the Treasury, emphatically denying that there are any foundations whatever for such rumors.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures 3

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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TELEGRAM R-946-a

TREASURY DEPARTMENT
Washington

December 17, 1941

Mr. Louis A. Reilly
Commissioner of Banking and Insurance
State House
Trenton, N. J.

Answering your wire I wish to state most emphatically there are no foundations whatever for the rumors and Federal Government does not have under consideration any proposal involving the confiscation of, or capital levy on, savings deposits of this country for any purpose. Anyone circulating rumors of this character is acting against interests of the Government and the people of the country.

D. W. Bell
Under Secretary of the Treasury

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R-946-b

TREASURY DEPARTMENT
Washington

January 8, 1942

Mr. William H. Hagan,
Vice President and Cashier,
The Peoples Bank,
Greensburg, Kentucky.

Dear Mr. Hagan:

Receipt is acknowledged of your letter of January 2, 1942, concerning rumors circulating in your locality that the Government intends to confiscate savings accounts.

I wish to state most emphatically that there are no foundations whatever for the rumors and the Federal Government does not have under consideration any proposal involving the confiscation of savings deposits of this country for any purpose. Anyone circulating rumors of this character is acting against the welfare of the nation.

I appreciate your bringing the matter to our attention and I am glad to have this opportunity to furnish you this denial.

Very truly yours,

(Signed) D. W. Bell

Under Secretary of the Treasury.

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R-946-c

TREASURY DEPARTMENT
Washington

January 8, 1942

Mr. Allen C. Knowles,
Executive Vice President,
South Side Federal Savings and Loan Association,
3115 West 25th Street,
Cleveland, Ohio.

Dear Mr. Knowles:

On behalf of Secretary Morgenthau, receipt is acknowledged of your letter of December 19, 1941, stating that because of certain rumors which are apparently circulating in various localities, some depositors of your Association may have gained the impression that the Government might confiscate outright their savings deposits.

I wish to state most emphatically that there are no foundations whatever for the rumors and the Federal Government does not have under consideration any proposal involving the confiscation of savings deposits of this country for any purpose. Anyone circulating rumors of this character is acting against the welfare of the nation.

I appreciate your bringing the matter to our attention and I am glad to have this opportunity to furnish you this denial.

Very truly yours,

(Signed) D. W. Bell

Under Secretary of the Treasury.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-947

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 13, 1942

Dear Sir:

The Board's circular letter R-946, dated January 12, 1942, with regard to rumors to the effect that the Government intends to confiscate all savings deposits, contained a statement that "the Department has advised us informally that it has not issued a formal press release on the subject." This letter was dictated on Saturday, January 10, but was mimeographed and distributed under date of January 12. However, this morning's edition of The Wall Street Journal carried the following news item:

> "Savings deposits confiscation is not being considered by the United States, Secretary Morgenthau said at his press conference. He issued the statement as a denial of 'recurring rumors' that the government has some such plan in mind. The head of the Treasury also said he knew nothing about reported plans to freeze savings accounts at certain levels or to impose a tax on savings deposits".

We thereupon made further inquiry of the Treasury and obtained a copy of the Treasury's press announcement #29-48, which apparently was given to the newspapers "For immediate release, Monday, January 12, 1942". A copy of the formal statement in question is being sent you herewith for the completion of your files although in substance it is the same as the individual communications, copies of which were forwarded to you with our letter R-946 of yesterday.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

R-947-a

TREASURY DEPARTMENT

Washington

FOR IMMEDIATE RELEASE,
Monday, January 12, 1942.

Press Service
No. 29-48

In view of recurring rumors that the Government was planning to confiscate savings accounts, Secretary Morgenthau today entered an emphatic denial that this was so.

"I wish to state most emphatically that there are no foundations whatever for such rumors," Mr. Morgenthau said. "The Federal Government does not have under consideration any proposal involving the confiscation of savings deposits of this country for any purpose.

"Furthermore," he added, "any one circulating rumors of this character is acting against the welfare of the nation."

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R-948

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning newspapers, Monday, January 19, 1942. January 17, 1942

The Board of Governors of the Federal Reserve System today announced the appointment of Mr. Albert M. Creighton of Boston, Massachusetts, as a class "C" director of the Federal Reserve Bank of Boston for the unexpired portion of the term ending December 31, 1944, and his designation as Chairman and Federal Reserve Agent for the year 1942. Mr. Creighton succeeds Mr. Frederic H. Curtiss, who had served continuously as Chairman of the Federal Reserve Bank of Boston since the organization of the Reserve System in 1914. Last August Mr. Curtiss asked to be relieved of this responsibility but consented to remain until the expiration of his term at the end of the year.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers, Wednesday, January 21, 1942.

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

Industrial activity declined less than seasonally in December and the first half of January, retail trade continued in large volume, and prices of many commodities rose further.

Production

In December total volume of industrial output declined less than is usual at this season and the Board's adjusted index rose further to 168 per cent of the 1935-1939 average. In the armament industries output continued to advance and at machinery plants activity rose sharply, following little change in November. Output of materials, such as iron and steel and nonferrous metals, continued at peak levels and lumber production showed less than the usual seasonal decrease. Automobile production declined sharply in the latter half of December, following announcement of sharp reductions in passenger car quotas, but early in January quotas for that month were increased and output rose considerably. Sales of new automobiles to civilians were halted at the beginning of January pending the establishment of a rationing system.

Textile production declined somewhat in December owing to a reduction in activity at cotton mills from the record level reached in November. Output of wool and rayon textiles was sustained at about capacity. Output of manufactured food products and shoe production showed about the customary seasonal declines. Coal output decreased somewhat in December, while petroleum production and mining of nonferrous metals were maintained at the high November rate.

Value of construction contracts awarded in December declined less than is usual at this time of year, according to figures of the F. W. Dodge Corporation. Awards for public projects showed little change, while those for residential construction declined less than seasonally following a considerable reduction in November.

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Distribution

Volume of retail trade, which had been large during most of the autumn, increased less than seasonally in December. This reflected to some extent a temporary slackening in sales around the middle of the month following this country's entry into the war. In the first half of January sales at department stores showed less than the customary sharp reduction from the Christmas buying peak and were at a level substantially higher in comparison with a year ago than that prevailing in other recent months.

Freight-car loadings of most products decreased by less than the customary seasonal amount in December. Coal shipments declined considerably in the latter part of the month but then increased sharply in the first half of January. Shipments of miscellaneous freight, which includes most manufactured products, were maintained in large volume for this season of the year.

Commodity prices

Wholesale commodity prices increased sharply when this country entered the war early in December and then showed little change during the latter half of the month. In the first half of January prices again advanced, the principal increases being in agricultural commodities and chemicals.

Federal action to impose maximum prices was accelerated with the outbreak of war and applied on a wider scale to industrial products. Ceilings were extended to products in later stages of production and distribution and in most instances covered consumers' goods. Certain of the actions, like those relating to rubber and wool products, were associated with new Federal production restrictions. In this period also there were advances in a number of price ceilings established earlier.

Bank credit

Total loans and investments of banks in leading cities, which had advanced sharply during the first half of December, have subsequently shown little further change.

Treasury financing in the middle of December and heavy currency withdrawals during the holiday season absorbed close to 700 million dollars of excess reserves during the month. About 500 million of this was recovered in the first half of January, as the result of a decline in Treasury deposits at the Reserve Banks and a return of currency from circulation. Recent changes in excess reserves have been almost entirely at banks outside of New York City.

United States Government security prices

Prices of Government securities were steady in the first half of January, following a decline in December after the entry of the United States into the war.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-950

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 21, 1942

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 December 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

O. E. Foulk,
Fiscal Agent.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

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REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF DECEMBER 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	45,879	785	46,664	$ 647.75	$ 381.70	$ 266.05
New York	106,753	-	106,753	1,481.85	977.17	504.68
Philadelphia	29,053	783	29,836	414.16	260.17	153.99
Cleveland	50,716	785	51,501	714.89	418.46	296.43
Richmond	66,500	776	67,276	933.86	469.58	464.28
Atlanta	57,978	776	58,754	815.57	352.84	462.73
Chicago	83,116	845	83,961	1,165.47	1,597.04	431.57(a)
St. Louis	57,345	776	58,121	806.78	291.63	515.15
Minneapolis	27,633	775	28,408	394.33	286.83	107.50
Kansas City	51,866	776	52,642	730.73	194.79	535.94
Dallas	47,107	949	48,056	667.07	332.69	334.38
San Francisco	78,454	775	79,229	1,099.79	482.83	616.96
Board of Governors	706,306	-	706,306	9,804.30	13,630.82	-
Total	1,408,706	8,801	1,417,507	$19,676.55	$19,676.55	$4,258.09 431.57(a) $3,826.52

(1) Based on cost per word ($.013881095) 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 ($2,161.18) and wire rental ($12,013.67) less amount ($544.03) 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 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.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-951

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 22, 1942

Dear Sir:

There are enclosed for your information a copy of a Code of Wartime Practices for the American Press and a copy of Rules for the Guidance of Persons Corresponding with Foreign Countries issued by the Office of Censorship. That Office has also recently issued a code covering the operations of radio stations and a copy of this code will be furnished you as soon as available.

Arrangements have been made with the Office of Censorship to furnish Governor Draper with a supply of copies of future releases by the Office of Censorship to enable him to furnish a copy of each such release to each of the Federal Reserve Banks.

In connection with the press and radio codes above referred to, we have been advised by the Director of Censorship as follows:

> "Upon instructions from the President, the Office of Censorship has undertaken to enlist the voluntary cooperation of the press and radio to prevent the domestic dissemination of information of aid to the enemy. Pursuant to that undertaking, this Office has distributed the attached codes of practice for publications and radio stations.
>
> "This voluntary effort cannot possibly succeed if there are confusions and contradictions in the dealings of individual departments and agencies of the government with the press and radio.
>
> "It therefore is requested that if at any time any official of your System either in Washington or in the field, desires that the press or radio or any part of it be requested to <u>withhold dissemination of information</u>, the request be transmitted to the Office of Censorship,

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rather than to any newspaper or news agency or any radio station direct.

"It should be emphasized that this request relates solely to the withholding of information from publication or broadcasting, and in no way refers to any affirmative action on the part of your System in making news available."

As you have heretofore been advised, Governor Draper has been designated as the Board's representative on the Censorship Operating Board and, if you should have any problem of the kind indicated in the above quotation, he will be glad to take it up with the Office of Censorship.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(Enclosures with addressed copies only)

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-952

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 23, 1942.

Dear Sir:

There are enclosed for your information copies of the following letters relating to the collection of postal money orders by the Federal Reserve Banks:

(1) Letter dated January 14, 1942, addressed to the Department of Agriculture by Mr. B. M. Mulvihill, Chief, Division of Deposits, Treasury Department.

(2) Letter dated January 15, 1942, addressed to the Postmaster, Atlanta, Georgia, by the Third Assistant Postmaster General.

(3) Letter dated January 15, 1942, from Mr. Mulvihill to member banks authorized to accept deposits from Government officers for credit in the account of the Treasurer of the United States.

In furnishing us with copies of these letters, Mr. Mulvihill stated that it is understood that letters similar to the one sent to the Postmaster at Atlanta, Georgia, were sent to postmasters located in other Federal Reserve Bank and Branch cities.

Very truly yours,

E. L. Smead

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

Enclosures.

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

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Federal Reserve Bank of St. Louis

c o p y

R-952-a

January 14, 1942

Mr. W. R. Fuchs
Assistant Director
Office of Budget & Finance
Department of Agriculture
Washington, D. C.

Dear Sir:

For your information, there are quoted 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."

> "1. 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)."

Heretofore, Federal Reserve Banks and Branches, as a general rule, have forwarded money orders not drawn on or issued by postmasters in Federal Reserve Bank and Branch cities to member or par

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nonmember banks, located at the points on which the orders were drawn or at which issued, for collection. The Treasury now is in receipt of advice that effective February 2, 1942, Federal Reserve Banks and Branches will not accept for collection from member or nonmember clearing banks any postal money orders that are not drawn on or issued by the respective post offices in the cities at which such Federal Reserve Banks or Branches are located.

The Federal Reserve Board, Federal Reserve Banks and the Post Office Department have agreed to an arrangement whereby Federal Reserve Banks and Branches will continue to accept from Government officers, in their official capacity, money orders representing payment of obligations to the Government. In this connection, you are advised that the Post Office Department has agreed to modify its regulations to the extent that all such money orders will be cashed without fee by the postmasters in the cities where the Federal Reserve Banks or Branches are located, regardless of the fact that the orders may actually be drawn on other post offices.

The Post Office Department agreed to the modification of its regulations relative to the payment of money orders with the understanding that Government departments and agencies will endeavor to have money orders representing payment of obligations to the Government drawn payable at the point where deposited. It is requested, therefore, that you take such action as may be necessary to minimize the number of money orders requiring special handling. It will be appreciated if you will furnish the Treasury with a copy of instructions issued in the matter by your office.

By direction of the Secretary:

Very truly yours,

(Signed) B. M. Mulvihill

B. M. Milvihill
Chief, Division of Deposits

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C O P Y R-952-b

MO-M-pr

January 15, 1942.

Postmaster,

Atlanta, Ga.

My dear Sir:

An agreement has been made between the Treasury and Post Office Departments to allow postal money orders which are issued to pay obligations to the Federal Government to be cashed at the city in which the Federal Reserve bank presenting such orders is located, although they may be drawn on another post office. The new procedure is to become effective February 2, 1942, and is to apply only to money orders presented within 30 days after the date of issue.

When such an order is presented by the Federal Reserve bank located in your city, you will please pay it for the full amount and send the order to the office on which drawn (or the office of issue if the order was drawn on a point outside the United States), with request that it be treated as paid thereat and that you be reimbursed by a check against the postmaster's money-order credit with the Treasurer of the United States.

That this Bureau may be informed of the volume of such transactions and the cost of handling them in this manner by the Postal Service, you are asked to submit at the close of each month a statement showing the number of orders so treated, the post offices to which sent and the clerical time devoted to this work.

Please acknowledge receipt of this letter, using the enclosed envelope for your reply.

Very truly yours,

Third Assistant Postmaster General.

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R-952-c

COPY

BUREAU OF ACCOUNTS
Division of Deposits

TREASURY DEPARTMENT
Fiscal Service
Washington

January 15, 1942.

TO THE CASHIER OF THE BANK ADDRESSED:

Your bank has, no doubt, received notice from the Federal Reserve Bank of your district stating that, effective February 2, 1942, Federal Reserve Banks and Branches will not accept for collection from member or non-member clearing banks, either as cash or non-cash items, any postal money orders that are not drawn on or issued by the respective post offices in the cities in which such Federal Reserve Banks and Branches are located.

It is not anticipated that your bank will, as a result of this change, experience any difficulties in connection with postal money orders included in deposits made by Government officers for credit in the account of the Treasurer of the United States. However, should any question arise concerning this matter, which cannot be settled locally, please communicate with the undersigned.

By direction of the Secretary:

B. M. MULVIHILL
Chief, Division of Deposits

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-953

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 23, 1942

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that on Thursday, February 12, 1942, a majority of the Federal Reserve Banks and branches will be closed in observance of the anniversary of the birth of Abraham Lincoln, and accordingly there will be neither transit nor Federal Reserve note clearing through the Interdistrict Settlement Fund on that day. For your information, the Board is advised that the following Federal Reserve Banks and branches will be open for business on February 12:

Boston	Atlanta	St. Louis
	Birmingham	Little Rock
Richmond	Jacksonville	
Baltimore	New Orleans	Kansas City
Charlotte		Oklahoma City

On Monday, February 23, in observance of Washington's Birthday, which falls on Sunday, the offices of the Board and all Federal Reserve Banks and branches except the Federal Reserve Bank of Atlanta will be closed.

The Board is also advised that the Birmingham and New Orleans Branches of the Federal Reserve Bank of Atlanta will be closed on Tuesday, February 17, 1942, in observance of Mardi Gras Day. Please include transit clearing credits of February 17 for the New Orleans Branch with your credits for the following day.

Very truly yours,

E. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-954

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 28, 1942

Dear Sir:

For your information you will find enclosed a copy of a letter of this date to Under Secretary of the Treasury Bell summarizing certain conclusions reached during a recent discussion between Mr. Szymczak and Mr. Bell regarding fiscal agency conferences.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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R-954-a

January 28, 1942

Honorable D. W. Bell,
Under Secretary of the Treasury,
Washington, D. C.

Dear Mr. Bell:

Mr. Szymczak has advised the other members of the Board of the conclusions reached during his conversation with you on January 20 as a result of experience with fiscal agency conferences. The principal points which Mr. Szymczak mentioned were as follows:

1. That the conferences have been very useful and that the policy of rotation among the Federal Reserve Banks is a desirable one; that it would be advantageous if they were held more frequently --at least once in twelve months and oftener if possible; and that occasionally they should be held at the larger and more important branches, such as New Orleans and Detroit.

2. That it would be desirable to have standing joint committees of representatives of the Federal Reserve Banks, the Board of Governors, and the Treasury, who would be available to meet upon call and to report to the Treasury, the Board of Governors, and the general conferences. Such committees would submit reports to the Treasury, the Board of Governors and the Federal Reserve Banks and when the reports are placed on the agenda for a general conference the Federal Reserve Banks and the Board will be given adequate time to consider them before the conference. In this connection, the size of each committee, the manner in which the membership would be determined, and the functions to be assigned to it are to be discussed shortly at the Treasury.

3. (a) That the agenda for a conference should be transmitted to the Federal Reserve Banks and the Board of Governors at least ten days in advance of the conference; and

(b) That whenever the statement of a topic does not speak for itself, a brief explanation should be given in connection with it, so that the participants in the meeting will have an opportunity to consider the point involved before the meeting.

4. That the Treasury will keep the Board of Governors promptly informed as to all important fiscal agency and allied

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questions which are taken up by the Treasury with the Federal Reserve Banks, so that the Board will be in position not only to meet its own responsibilities of supervision and coordination of Federal Reserve Bank operations but also to be helpful to the Treasury in working out any problems that may arise in connection with such matters.

The Board wishes me to assure you that it is in full accord with these conclusions and will cooperate in every possible way in carrying them out.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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R-955

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For immediate release January 29, 1942

The Board of Governors of the Federal Reserve System today announced the following appointments at the Federal Reserve Bank of Dallas:

Chairman and Federal Reserve Agent for the remainder of 1942:

Mr. Jay Taylor, Rafter O Cattle Company, Amarillo, Texas. Mr. Taylor has served as a Class C director of the Federal Reserve Bank of Dallas since his appointment on March 4, 1937, and as Deputy Chairman of the Bank since January 1, 1939.

Deputy Chairman for the remainder of 1942:

Mr. J. B. Cozzo, Womack and Cozzo (General Contractors), Dallas, Texas. Mr. Cozzo has served as a Class C director of the Federal Reserve Bank of Dallas since his appointment on June 26, 1939.

Class C director for unexpired portion of term ending December 31, 1944:

Mr. Dolph Briscoe, stockraiser, Uvalde, Texas. Mr. Briscoe has served as a director of the San Antonio Branch of the Federal Reserve Bank of Dallas since his appointment on January 10, 1938.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-956

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 30, 1942

Dear Sir:

Reference is made to the Board's telegram of December 31 regarding registration under Regulation W on or after January 1, 1942, notifying you that a new Form F.R. 563-a was in preparation but authorizing the Reserve Banks until further notice to accept Registration Statements on Form F.R. 563. The new Form F.R. 563-a has now been approved by the Board, and several copies indicating the content of this form are enclosed herewith. The new forms are now being printed here on single sheets, 8-1/2 by 11 inches, with instructions on the reverse side.

The distribution of these forms, like the distribution of Form F.R. 563, will in general be in the hands of the Federal Reserve Banks and will be effected by such means as they may determine. An initial supply of 3,000 copies of Form F.R. 563-a will be sent you as soon as they are ready; please notify the Board when and if you need more copies.

Form F.R. 563-a is intended to be suitable for the registration of all of the classes of persons who will be registering henceforth--such as newly-organized concerns, concerns organized to succeed existing businesses, existing businesses which begin to engage in activities which are subject to Regulation W, and concerns making instalment sales of articles which in the future, by amendment to Regulation W, become "listed articles"--as well as concerns which should have registered on or before December 31, 1941, but failed to do so.

Because of the varying circumstances under which this form will be used, it will probably be desirable to use several different forms of Notice to Registrants. There is enclosed a suggested form of notice which is intended primarily for those Registrants which are new concerns; it is requested that each Reserve Bank determine for itself whether to use this suggested form of notice, either as it stands or with modifications. When and if Regulation W is amended by the inclusion of additional listed articles in the Supplement, it will probably

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be desirable to use a somewhat different form of notice in addressing the persons who become subject to the regulation by reason of such amendment.

As stated in the Board's telegram of December 31, you may continue to accept such registration statements as may be tendered on Form F.R. 563 by persons who have already received that form. On all new requests for forms in the future, however, copies of the new Form F.R. 563-a should be supplied.

In acknowledging the completed statements received by the Reserve Banks on Form F.R. 563-a, it is requested that the Reserve Banks use the same form of "Registration Certificate" that they have been using heretofore.

In answering questions regarding this form which Registrants may direct to the Reserve Banks, the "Additional Notes Regarding the Filling Out of Form F.R. 563" which the Board sent with its letter R-915 dated October 31 will be applicable. It may be noted, however, that new businesses, which may comprise a substantial proportion of the concerns registering on Form F.R. 563-a, will not be required to fill out Question III of the form.

Very truly yours,

Chester Merrill

Chester Merrill,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Form F.R. 563-a

This statement is to be filed with the Federal Reserve Bank (main office or branch) of the district in which the main office of the Registrant is located. In case you are registering because of an amendment listing additional articles under Regulation W, the statement should be sent before the end of the second calendar month after the month during which the amendment becomes effective. In case you are registering for any other reason, the statement should be sent on or before the date of commencing business which is subject to Regulation W. The Registrant is automatically licensed upon filing of this statement; *it is not necessary to wait for acknowledgment from the Federal Reserve Bank* before commencing business under Regulation W.

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 or branch.

Please leave this space blank

REGISTRATION STATEMENT

Date of filing _____

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 (or is to be) in business as an individual_____, partnership_____, corporation_____, or other form (specify)_____

II. **Principal Business of Registrant (Check One)**

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**
(Whether or not subject to Regulation W)
(Note - In case Registrant is a new business or successor to an existing business, Registrant should note the fact under Question VI and need not answer any part of Question III)

A. **Registrants in classes 1 to 6** please report the unpaid balance of retail and personal installment paper held at close of business on a date within two months prior to date of filing of this Statement:
Date used _____
(In even dollars, cents omitted; where amount is none, write "none")

1. Retail instalment paper purchased.....	$
2. Retail instalment credit (loans) extended directly	$
3. Personal instalment cash loans.....	$

B. **Registrants in classes 7 to 16** please report the following data using a date within two months prior to date of filing of this Statement:
Date used _____

Retail sales—12 months ending on date used. (Including all retail sales of listed and unlisted articles and of services):

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 held—unpaid balance at close of business on date used:

6. Instalment receivables.	$
7. Other receivables.....	$

IV. Does Registrant have any branches?_____ If so, how many?_____(Please attach a list of branches and their addresses)

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 under Question VI the name and address of the controlling company and state the nature of its business.

VI. Any explanatory matter which Registrant may wish to add (In case Registrant is successor to an existing business, see General Instruction VI on back of form): _____

_____

VII. 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*

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INSTRUCTIONS FOR REGISTRATION STATEMENT
(Numbered to correspond with questions on Registration Statement)

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.

A business not yet in operation will have nothing to report under Question III.

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.

If Registrant's business is not yet in operation, please indicate whether Registrant will have branches after commencing operations.

VI.—In case Registrant is succeeding to all or part of the business of one or more existing concerns, the names of the predecessors should be noted under Question VI. If only part of an old business is being taken over, the part taken over should be indicated.

Where there is doubt whether the successor is covered by the registration of a predecessor or whether a new registration is required, it is suggested that a new form be filed; this may be accompanied, if the Registrant desires, by a statement of the circumstances and a request that the new form be returned if not required.

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

QUESTION III—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 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 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).

QUESTION III—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. In the event that the Registrant is not able to furnish an exact figure without undue inconvenience or expense, the figure may be estimated. 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 has not been in operation for 12 months should report sales for the period for which it has 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 note, 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 appropiate 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."

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R-956-a

Federal Reserve Bank of _____

NOTICE REGARDING REGISTRATION IN CONNECTION WITH REGULATION W ON CONSUMER CREDIT

(This notice is intended primarily for persons who begin, on or after January 1, 1942, to engage in business that is subject to Regulation W.)

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 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 file a Registration Statement on the prescribed form and thereby become licensed. 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 on Form F.R. 563-a by any person or organization (other than one which has already filed a Registration Statement on this form or on Form F.R. 563) which is to engage in the business of:

(1) making instalment sales of any of the articles listed in the Supplement to Regulation W (which list, as of _____, 1942, is printed on the back of this notice), or

(2) 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) discounting or purchasing (or lending on the security of) instalment obligations arising from transactions described in (1) or (2).

The types of concerns which should register on Form F. R. 563-a will include newly-organized concerns (and concerns succeeding to established businesses) which are to engage in any of the types of business mentioned in clauses (1), (2) or (3) above, and also any other concerns (not already registered) which are about to engage in any such types of business.

How to Register

Registration is to be accomplished by filling out Form F.R. 563-a and filing it with the Federal Reserve Bank (main office or branch) of the

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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-a 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-a 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.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-957

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1942

Dear Sir:

Because of the Board's responsibility in connection with the regulation of consumer credit, it has been decided to request the principal commercial bank lenders in this field to report monthly statistics as to their operations. Some 200 banks are now reporting such figures to the Consumer Credit Department of the American Bankers Association, but it is preferable that the Reserve System obtain data directly from the banks. We have discussed the matter of Reserve System collection of such statistics with Mr. Walter B. French of the American Bankers Association and he recognizes our need for such data. This letter is to inform you of plans for the collection of these data and to obtain your views before making final arrangements.

For the present, the plan is to use a form of report which has the same items as the condition report supplement used in December 1941, but to request data on volume for the month as well as amounts outstanding at the end of the month. Except for the addition of non-insured modernization loans, this is the same as the present ABA report form.

It is suggested that you compile from condition report supplements of the member banks and the registration statements of nonmember banks a list of important lenders in this field. Presumably the sample of current reporting banks should cover more than half of the total consumer instalment loans of all banks in your district. A larger proportion is desirable if obtainable from a relatively small number of banks. We expect to obtain from Mr. French at some later date a list of banks now reporting to him and shall send you the list for your district.

Mr. French would like to continue to receive copies of the current schedules on individual banks, as they are needed in the work that he is doing. He will write to his reporting banks explaining that the Reserve System plans to collect and publish these data in the future, but requesting each bank to submit duplicate schedules--one to be retained by the Reserve Bank and the other to be forwarded by the Reserve

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Bank to the American Bankers Association. Under this arrangement it will be necessary for the Reserve Banks to send out copies of the report schedule each month in triplicate, at least to the banks on the ABA list, so that each such bank will be able to prepare a report for the ABA as well as for the Reserve Bank and also to retain a copy for its own files. This arrangement will relieve reporting banks of the burden of mailing reports to two different addresses.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-958

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 16, 1942

Dear Sir:

Referring to the Board's letters of October 30, 1936 (X-9729), and December 28, 1938 (S-137), it will be appreciated if you will furnish the Board with the following annually-requested data regarding the attendance of officers and employees of your Bank at the Graduate School of Banking at Rutgers University:

(a) Total number who will attend forthcoming session;
(b) Number of first-year students;
(c) Number of second-year students;
(d) Number of third-year students;
(e) Number who will be granted necessary leave with pay;
(f) Number whose transportation expenses will be paid by Bank;
(g) Number whose registration and resident and extension tuition fees will be paid by Bank;
(h) Number who will attend entirely at their own expense during their annual vacations;
(i) Number who have attended the first or second sessions, or both, but who will not attend the forthcoming session.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY BUY UNITED STATES DEFENSE BONDS STAMPS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-959

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1942

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 January 1942.

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

O. E. Foulk,
Fiscal Agent.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
EXCEPT RICHMOND

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Federal Reserve Bank of St. Louis

R-959-a

REPORT OF EXPENSES OF MAIN LINES OF FEDERAL RESERVE LEASED WIRE SYSTEM FOR THE MONTH OF JANUARY 1942

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	38,831	582	39,413	$ 558.01	$ 312.43	$ 245.58
New York	86,138	-	86,138	1,219.54	947.51	272.03
Philadelphia	24,093	586	24,679	349.41	255.13	94.28
Cleveland	46,845	582	47,427	671.47	322.45	349.02
Richmond	60,969	583	61,552	871.46	460.86	410.60
Atlanta	45,800	576	46,376	656.60	270.20	386.40
Chicago	71,828	630	72,458	1,025.86	1,344.90	319.04(a)
St. Louis	50,707	580	51,287	726.12	262.50	463.62
Minneapolis	24,453	578	25,031	354.39	220.83	133.56
Kansas City	47,682	580	48,262	683.30	198.61	484.69
Dallas	38,996	608	39,604	560.72	329.34	231.38
San Francisco	57,441	585	58,026	821.54	489.17	332.37
Board of Governors	582,477	-	582,477	8,246.74	11,331.23	-
Total	1,176,260	6,470	1,182,730	$16,745.16	$16,745.16	$3,403.53 319.04(a) $3,084.49

(1) Based on cost per word ($.014158058) 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 ($1,196.79) and wire rental ($10,524.42) less amount ($389.98) 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.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-960
ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1942

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that the following holidays will be observed by Federal Reserve Banks and branches during the month of March 1942:

March 2 (Monday)	Dallas El Paso	Houston San Antonio	Texas Independence Day
March 16 (Monday)	Nashville	Memphis	In observance of the birthday of Andrew Jackson, which falls on Sunday
March 25 (Wednesday)	Baltimore		Maryland Day

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 offices affected on each of the holidays with your credits for the following business day. No debits covering shipment of Federal Reserve notes for account of the Federal Reserve Bank of Dallas should be included in your note settlement of March 2.

Please notify branches.

Very truly yours,

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

FOR VICTORY
BUY UNITED STATES DEFENSE BONDS STAMPS

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Federal Reserve Bank of St. Louis

R-961

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

February 21, 1942

For immediate release

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

Industrial activity rose further in January and the first half of February, reflecting continued sharp advances in output of military products. Retail trade was unusually active and prices, particularly of unregulated commodities, advanced.

Production

Volume of industrial production increased in January, although usually there is some decline at this season, and the Board's adjusted index rose further to 170 per cent of the 1935-39 average. Continued rapid increases in activity were reported in the machinery and armament industries and production of chemicals likewise rose sharply. Activity at cotton textile mills reached a new high level, following some decline in December. In the meatpacking industry, where activity had risen to record levels in December, there was a further advance in January and output of most other manufactured food products was maintained in large volume for this time of year.

Production of steel and nonferrous metals continued near capacity in January and lumber production, which usually declines at this season, was sustained. In the automobile industry output of passenger cars and light trucks continued at about the December rate; in February, however, production of cars and trucks for civilian use was halted and the plants were shut down for conversion to armament production. Coal production increased in January, following a decline in December when demand was curtailed somewhat by unusually warm weather, and output of crude petroleum was maintained at record levels.

Value of construction contracts awarded in January was some two-fifths below the level of the last quarter of 1941, according to figures of the F. W. Dodge Corporation. Declines were reported in all classes of construction; the decrease in residential building being usual at this season.

Total awards in January were slightly larger than last year, but public projects accounted for a much larger proportion of the total than a year ago.

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Distribution

In January retail trade was stimulated considerably by widespread anticipatory buying of many products resulting from announcements that distribution of new tires and tubes, new automobiles, and sugar would henceforth be rationed and that the amount of materials available for use in various other goods would be restricted. Sales at department stores, variety stores, and general merchandise stores declined much less than is usual after the Christmas season, while sales of tires and tubes were restricted to essential uses and sales of automobiles ceased pending the establishment of a rationing system. In the first half of February department store sales decreased somewhat from the high level reached in mid-January.

Total carloadings of revenue freight, which usually decline in January, showed little change this year and the Board's seasonally adjusted index advanced from 137 to 140 per cent of the 1935-39 average. Loadings of grain and forest products rose to unusually high levels for this time of year and coal shipments also increased, following a decline in December. Shipments of miscellaneous freight, which include most manufactured products, declined less than seasonally.

Commodity prices

Prices of commodities and services continued to advance sharply in January and the first half of February. The Emergency Price Control Act of 1942 became a law on January 30 and former Federal maximum price schedules--approximately 100 in number--remained in effect under its terms. About one-half of these schedules were issued following the United States' entry into the war. In this period, price controls were extended to a number of finished consumers' goods and covered mainly items for which output for civilian use had been sharply curtailed or prohibited by Federal order. Retail prices of foods and textile products, which are not subject to direct control, showed exceptionally large increases from December 15 to January 15 and, according to preliminary indications, have continued to advance since that time.

Bank credit

Since the beginning of the year loans and investments at banks in leading cities have increased, reflecting purchases of Government securities by city banks outside New York and increases in commercial loans by banks in New York. Demand deposits and currency in circulation have risen sharply. Member bank reserves have shown little change in recent weeks, and excess reserves have continued close to $3\frac{1}{2}$ billion dollars.

United States Government security prices

Prices of United States Government bonds declined somewhat in the first half of February, following little change during the previous month, while prices of short-term securities, which had risen in January, were steady.

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R-962

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For immediate release. February 21, 1942

Under Regulation D of the Board of Governors of the Federal Reserve System, deficiencies in reserve balances of member banks in cities where Federal Reserve Banks or branches thereof are located and in a few other reserve cities are at present computed on the basis of average daily net deposit balances covering semiweekly periods. Such computations by member banks in other reserve cities are made on a weekly basis.

The Board has amended Regulation D, effective with the reserve computation period beginning February 28, 1942, so as to provide that member banks in all central reserve and reserve cities shall make such computations on a weekly basis. This change places banks in all these cities, including those in which Federal Reserve Banks or branches are located, on the same basis in this respect and has been made for the convenience of member banks in these cities in adjusting their reserve positions.

Country banks, i.e., those located outside of central reserve or reserve cities, will continue as heretofore to compute deficiencies in reserve balances on a semimonthly basis.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-963

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 21, 1942

Dear Sir:

Pursuant to the Board's telegram of this date there is set forth below the text of a resolution which has been adopted by the Board amending its Regulation D:

"RESOLVED, That Regulation D, Reserves of Member Banks, is hereby amended in the following respects, effective with the reserve computation period beginning February 28, 1942:

"1. Subsection (a) of section 3 of Regulation D is amended to read as follows:

"'(a) Computation of deficiencies.

"'(1) Deficiencies in reserve balances of member banks in central reserve cities and in reserve cities shall be computed on the basis of average daily net deposit balances covering weekly periods. Deficiencies in reserve balances of other member banks shall be computed on the basis of average daily net deposit balances covering semimonthly periods.[8]

"'(2) In computing such deficiencies the required reserve balance of each member bank at the close of business each day shall be based upon its net deposit balances at the opening of business on the same day; and the weekly and semimonthly periods referred to in paragraph (1) hereof

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'8/ Deficiencies in reserve balances of member banks in outlying sections of central reserve and reserve cities which have been authorized by the Board of Governors of the Federal Reserve System, under the provisions of subsection (a) of section 2 of this regulation, to maintain seven per cent reserves against demand deposits, will also be computed on the basis of average daily net deposit balances covering semimonthly periods.'

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

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shall end at the close of business on days to be fixed by the Federal Reserve banks with the approval of the Board of Governors of the Federal Reserve System.'

"2. Section 4 of Regulation D is amended to read as follows:

"'SECTION 4. LOANS AND DIVIDENDS WHILE RESERVES ARE DEFICIENT

"'It is unlawful for any member bank the reserves of which are deficient to make any new loans or pay any dividends unless and until the total reserves required by law are fully restored, and the payment of penalties for deficiencies in reserves does not exempt member banks from this prohibition of law. As provided in section 3 of this regulation, penalties for deficiencies in reserves are computed on the basis of the average reserve balances for weekly or semimonthly periods; but this prohibition of law applies whenever the reserves are deficient for one day or more, regardless of whether or not the average reserve balances for the weekly or semimonthly period are deficient.'"

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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R-964

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 24, 1942

Dear Sir:

There is enclosed for your information a copy of a letter dated February 14, 1942, from the Third Assistant Postmaster General to the Postmaster at Dallas, Texas, regarding the collection of certain postal money orders by the Federal Reserve Banks.

Very truly yours,

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

Enclosure

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

FOR VICTORY
BUY
UNITED
STATES
DEFENSE
BONDS
STAMPS

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Federal Reserve Bank of St. Louis

COPY MO-M-pr

February 14, 1942

Postmaster,

Dallas, Texas.

My dear Sir:

The Treasury Department has today informed this Bureau that your office has refused payment to the Federal Reserve Bank of Dallas on money orders endorsed in favor of agents of the Federal Government. In the letter to you of January 15th the expression was used "money orders issued to pay obligations to the Federal Government".

It was not intended, however, to limit the payment to those which were regularly issued in favor of a Federal activity, since it may frequently occur that persons in whose favor money orders have been drawn will endorse them to agents of the United States. It is asked, therefore, that money orders drawn on other offices which have been used either through original issue or endorsement to discharge a Government obligation, be paid to the Federal Reserve Bank at full face value and the money order treated as prescribed in my letter of January 15.

Very truly yours,

Third Assistant Postmaster General.

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Federal Reserve Bank of St. Louis

R-965

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers of
Monday, March 9, 1942 March 7, 1942

As a further step in restraining the expansion of instalment credit at this time, the Board of Governors of the Federal Reserve System has adopted Amendment No. 3 to Regulation W, effective March 23, 1942. The principal changes made by the amendment are as follows:

The standard maturity is reduced from 18 to 15 months for all credits subject to the Regulation, except credits for residential modernization, plumbing, furnaces, water heaters, water pumps, and pianos, all of which may still be for 18 months.

The down payments are increased from 20 per cent to 33-1/3 per cent on refrigerators, washing machines, ironers, vacuum cleaners, electric dishwashers, room unit air conditioners, sewing machines, radios and phonographs, and musical instruments. On home air conditioning systems and attic ventilating fans, the down payments are increased from 15 per cent to 33-1/3 per cent, and on furnaces, water heaters, water pumps and plumbing, from 15 per cent to 20 per cent.

The following articles are added to the list, with 33-1/3 per cent down payment required: bicycles, lawn mowers, silverware and photographic equipment. The following are added to the list, with 20 per cent down payment required: clocks, watches and floor coverings.

Any lender or vendor who becomes subject to the Regulation because of the addition of articles is given until June 1 to register with the Federal Reserve Bank in his district on forms obtainable at any Federal Reserve Bank or branch. These new registrants are granted a general license between March 23 and June 1.

After April 1 the credit value of a used automobile, instead of being based solely upon the purchase price, is to be based either upon the purchase price or upon the average retail value as stated in such automobile appraisal guides as may be designated by the Board, whichever is lower.

Attached is a copy of Amendment No. 3.

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AMENDMENT NO. 3 TO REGULATION W

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Regulation W is hereby amended in the following respects, and these changes shall become effective March 23, 1942, except that the change in Part 3(b) of the Supplement shall not become effective until April 1, 1942.

1. Section 3(b) is amended to read as follows:

> **(b) General License.**—Whenever this regulation is amended so that any person who was not formerly subject to section 3(a) becomes subject thereto, such person is hereby granted a general license; but such general license shall terminate at the end of the second full calendar month after the month in which the amendment becomes effective unless such person has registered, in the manner provided in section 3(c), before such termination. Any person whose license is not suspended may become licensed by registering in the manner provided in section 3(c).

2. Section 4(f) is amended by adding the following new paragraph at the end thereof:

> The Registrant may disregard the requirements of this section 4(f) in the case of any article listed in Group A, B, C or D on which the down payment required by section 4(a) would be $2.00 or less, or in the case of any article included in Group E of which the *boña fide* cash purchase price, as defined in the Supplement, does not exceed $20.00.

3. Section 5(d) is amended by changing the words "On and after January 1, 1942, no Registrant" at the beginning of the section to "No Registrant", and by striking out the next to last sentence of the section.

4. Section 6(e) is amended so that clause (1) thereof will read as follows:

> (1) to finance the purchase of aircraft for use in any activity in respect of which a preference rating of A-10 or higher is in force for deliveries of civil aircraft;

5. Section 6(j) is stricken out and the following new provision is substituted therefor:

> (j) Any extension of instalment loan credit made by the Disaster Loan Corporation.

6. The first sentence of section 6(k) is amended to read as follows, and the number (2) in the second sentence of the section is changed to (3):

> Any extension of instalment loan credit which is made to a person engaged in agriculture, or to a cooperative association of such persons, provided that the extension of instalment loan credit (1) is made by the Land Bank Commissioner on behalf of the Federal Farm Mortgage Corporation and is found, pursuant to regulations issued by the Commissioner, to be necessary to maintain or increase production of essential agricultural commodities, or (2) is approved by the Farm Security Administrator, or his authorized agent, as being necessary for the rehabilitation of a needy farm family, or (3) 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.

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7. The following footnote is added to section 8(a), and the footnote reference[4] is inserted after the word "credit" immediately before the proviso of the section:

[4] If there should be any arrearage which does not arise out of any prearrangement or plan to evade this regulation, the arrearage may be divided equally among and added to the remaining payments scheduled for the liquidation of the credit to which such arrearage relates. This applies to any renewal, revision or consolidation effected in accordance with any provision of Section 8.

8. Option 1 in section 8(b) is amended to read as follows:

Option 1. The terms of the consolidated obligation shall be such as would have been necessary to meet the requirements of this regulation if the several obligations had not been consolidated: *Provided,* That, in order to schedule payments at approximately equal intervals, the consolidated obligation may combine payments that would otherwise have fallen due at different times within any monthly period, but the first of such combined payments shall fall due within one month after such consolidation; or

9. Section 8(d) is amended by striking out the last sentence thereof.

10. Section 9(d) is amended by adding the following new paragraph at the end thereof:

Whenever this regulation is amended to add any article to the listed articles specified in the Supplement, the amendment shall not apply with respect to the carrying out of any valid contract made prior to the effective date of the amendment; but any renewal, revision or consolidation of any such obligation shall be subject to the requirements of section 8, and for the purposes of section 8(a) the terms of repayment "permitted in the first instance" for such an obligation shall be deemed to be those applicable to such an extension of credit under such amendment.

11. The part of section 10 after the heading is amended to read as follows:

This regulation became effective in its original form September 1, 1941; Amendment No. 1 became effective September 20, 1941; Amendment No. 2 became effective December 1, 1941; and Amendment No. 3 shall become effective March 23, 1942, except that the change made in Part 3 of the Supplement by Amendment No. 3 shall not become effective until April 1, 1942.

12. The Supplement is amended to read as follows:

SUPPLEMENT TO REGULATION W

Part 1. Listed Articles, Maximum Maturities, and Maximum Credit Values.—For the purposes of the regulation the following maximum maturities and maximum credit values shall apply to the following list of articles:

Articles of Consumers' Durable Goods (Whether New or Used)	*Maximum Maturity in Months*	*Maximum Credit Value in per cent of Basis Price*
Group A		
1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxicabs)	15	(See Part 3 of this Supplement)
2. Motorcycles (two or three-wheel motor vehicles, including motor bicycles)	15	

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Articles of Consumers' Durable Goods (Whether New or Used)	*Maximum Maturity in Months*	*Maximum Credit Value in per cent of Basis Price*
Group B		
1. Aircraft (including gliders)	15	66–2/3
2. Power driven boats, and motors designed for use therein, other than boats or motors designed specifically for commercial use	15	66–2/3
3. Outboard boat motors	15	66–2/3
*4. Bicycles	15	66–2/3
Group C		
1. Mechanical refrigerators of less than 12 cubic feet rated capacity	15	66–2/3
2. Washing machines designed for household use	15	66–2/3
3. Ironers designed for household use	15	66–2/3
4. Suction cleaners designed for household use	15	66–2/3
5. Cooking stoves and ranges designed for household use	15	80
6. Heating stoves and space heaters designed for household use	15	80
7. Electric dishwashers designed for household use	15	66–2/3
8. Room-unit air conditioners	15	66–2/3
9. Sewing machines designed for household use	15	66–2/3
10. Radio receiving sets, phonographs, or combinations	15	66–2/3
11. Musical instruments composed principally of metals	15	66–2/3
*12. Lawn mowers, mower-type edgers and trimmers (whether or not power-driven)	15	66–2/3
*13. Silverware (flatware and hollow ware, whether solid or plated)	15	66–2/3
*14. Clocks, electric or other, designed for household or personal use, and watches	15	80
*15. Motion picture cameras, projectors, and lenses, designed for film gauges less than 35 mm.; still cameras, projectors, lenses and shutters, and enlargers	15	66–2/3
Group D		
1. Household furnaces and heating units for furnaces (including oil burners, gas conversion burners, and stokers)	18	80
2. Water heaters designed for household use	18	80
3. Water pumps designed for household use	18	80
4. Plumbing and sanitary fixtures designed for household use	18	80
5. Home air conditioning systems	15	66–2/3
6. Attic ventilating fans	15	66–2/3
7. New household furniture (including ice refrigerators, bed springs, and mattresses but excluding floor coverings, wall coverings, draperies, and bed coverings)[1]	15	90
8. Pianos and household electric organs	18	90
*9. Floor coverings (including fabric and linoleum type rugs, carpets, mats, and other floor covering materials, whether or not designed to be affixed to the floor)	15	80

[1] An article is not new if it has been used by a consumer.
* Added by Amendment No. 3, effective March 23, 1942.

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Articles of Consumers' Durable Goods (Whether New or Used)	*Maximum Maturity in Months*	*Maximum Credit Value in per cent of Basis Price*
Group E		
1. Materials and services (other than materials, whether or not designed for household use, which are of the kinds listed in Group C or D) in connection with repairs, alterations, or improvements upon urban, suburban or rural real property in connection with existing structures (other than a structure, or a distinct part thereof, which, as so repaired, altered or improved, is designed exclusively for *non-residential* use), provided the deferred balance does not exceed $1,000.....	18	No limitation

Part 2. Basis Price of Listed Articles Other Than Those in Group A.—The *basis price* of any listed article, other than an automobile or other article listed in Group A, shall be the *bona fide* cash purchase price of the article and accessories purchased *minus* the amount of any allowance made by the seller for any article traded in by the purchaser (including as such a trade-in anything which the seller buys or arranges to have bought from the purchaser at or about the time of the purchase of the listed article).

Part 3. Maximum Credit Value of Automobiles and Motorcycles.—For the purpose of the regulation:

(*a*) The maximum credit value of a new automobile or a new or used motorcycle shall be 66⅔ per cent of the *bona fide* cash purchase price.

(*b*) † The maximum credit value of a used automobile shall be 66⅔ per cent of whichever is the lower of the following two figures:

(1) the *bona fide* cash purchase price; or

(2) the "appraisal guide value" plus any applicable sales taxes.

"Appraisal guide value" means the estimated average retail value as stated in such edition of any regularly published automobile appraisal guide as the Board may designate for this purpose for use in the territory in which such used automobile is sold. Information as to the guide or guides designated for any given territory may be obtained from any Federal Reserve Bank or branch.

Part 4. Cash Purchase Price.—For the purposes of the Supplement:

(*a*) The *bona fide* cash purchase price of an article includes that of any accessories, and it also includes any applicable sales taxes and any *bona fide* delivery and installation charges; and

(*b*) In the case of any article or accessory for which the Federal price authorities have prescribed a maximum retail price, the maximum credit value shall in no event exceed that resulting from a *bona fide* cash purchase price equal to the total of such maximum retail price and any applicable sales taxes not included therein.

Part 5. Instalment Loan Credit Subject to Section 5(b) of the Regulation.—The maximum maturity of any extension of instalment loan credit of $1,500 or less subject to section 5(b) of the Regulation shall be 15 months.

† This provision is effective on and after April 1, 1942. Prior to that date the maximum credit value of a used automobile shall be 66⅔ per cent of the *bona fide* cash purchase price.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 14, 1942.

Dear Sir:

In the Board's letter of December 22, 1941, it was stated that it might be worth while to summarize reports received by the Board from the various Reserve Banks as to protective measures taken against air raids or sabotage and furnish copies of the summary to all Federal Reserve Banks. Several of the Banks indicated that they would be interested in having such a summary, and there is attached a tabulation of the protective measures taken by various Reserve Banks. Some of the measures listed have been taken at all Federal Reserve Banks reporting while others listed have been taken by only one or more of the Banks.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
DEFENSE
BONDS
STAMPS

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R-966-a

PROTECTIVE MEASURES TAKEN AT FEDERAL RESERVE BANKS AGAINST SABOTAGE AND AIR RAIDS

(Summarized from Replies to Board's letter of December 22, 1941.)

1. Blacking out of windows, or provision of black-out shades, on floors set aside for concentration of personnel in case of an air-raid alarm and in departments operating at night or in which evacuation in case of alarm would take some time due to necessity of moving money or securities to vault. One Bank has blacked out all windows.

2. Preparation of special instructions to staff for guidance in event of air raids or other alarms and provision of an alarm system audible throughout the building.

3. Provision of emergency equipment for fighting fire and incendiary bombs.

4. Adoption of special precautions for safeguarding money and securities in operating departments:

   a. Reduction of amount allowed to remain outside vault to a minimum.

   b. Preparation of inventory of all securities held in custody for own account or for others, to be supplemented by record of daily deposits and withdrawals from vault. Contemplated that this inventory will be lodged with the Federal Reserve Bank of a neighboring district. New complete inventory to be run off periodically.

   c. Provision of special buses, coin skids, hampers, and pouches, to remain in cages during working hours. Major portion of money and securities to be kept on vehicles during working hours, thus allowing for speedy removal of all money and securities to vault in case of necessity.

5. Provision of special hampers and pouches in fiscal agency and registered mail departments to facilitate removal of packages, securities, and designated records to vault or other selected location of safety.

6. Survey of records undertaken to determine which should be copied on films or otherwise and which should be kept in vault.

7. Adoption of plan involving the identification of all persons at all times while on bank premises.

8. Protection of windows close to street with sandbags or planking, or heavy screen covering.

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9. Installation of special locks at entrance to engine room, fan room, pipe shafts, elevator penthouse, electric switchboard cabinets, and coal holes (with electric alarm); extra protection for fire escapes (electric eye); water-tight tunnel door, water main to roof, and steel plates on certain air ducts.

10. Consultation with suppliers of coal as to additional precautions to exclude foreign matter from coal while being loaded, and before delivery and dumping into chutes at Bank.

11. Provision of additional flood lighting outside to afford guards protection in patrolling at night.

12. Police Department cooperation obtained, resulting in the placing of a uniformed policeman outside building during working hours and in visits of scout cars at regular intervals during night.

13. Designation by Army of officers and men to protect building (and the Custom House, which is adjacent thereto) in event of air raid or other disturbance.

14. Placing in serviceable condition six 37mm. six ton tank guns, which were assigned to Bank building by the Treasury Department at time building was originally occupied.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-967
ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 17, 1942

Dear Sir:

The Board of Governors has amended its Regulation A, Discounts for and Advances to Member Banks by Federal Reserve Banks, effective March 20, 1942, by changing subsection (b) of section 2 of Regulation A to read as follows:

(b) Advances on Government obligations. - Any Federal Reserve Bank may make advances, under authority of section 13 of the Federal Reserve Act, to any of its member banks for periods not exceeding ninety days[6] on the promissory note of such member bank secured by direct obligations of the United States, and for periods not exceeding fifteen days on the promissory note of such member bank secured (1) by the deposit or pledge of debentures or other such obligations of Federal Intermediate Credit banks having maturities of not exceeding six months from the date of the advance, or (2) by the deposit or pledge of Federal Farm Mortgage Corporation bonds issued under the Federal Farm Mortgage Corporation Act and guaranteed both as to principal and interest by the United States, or (3) by the deposit or pledge of Home Owners' Loan Corporation bonds issued under the provisions of subsection (c) of section 4 of the Home Owners' Loan Act of 1933, as amended, and guaranteed both as to principal and interest by the United States.

6/ The eighth paragraph of section 13 of the Federal Reserve Act authorizes advances to member banks for periods not exceeding fifteen days secured by bonds, notes, certificates of indebtedness, or Treasury bills of the United States. However, the last paragraph of section 13 authorizes any Federal Reserve Bank to make advances for periods not exceeding ninety days "to any individual, partnership or corporation" on the promissory notes of such individual, partnership or corporation secured by "direct obligations of the United States"; and the term "corporation" includes an incorporated bank.

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This amendment makes no change of substance in the Regulation. Its sole purpose is to rephrase the above paragraph of the Regulation in order to make it clear that under the law the Federal Reserve Banks are authorized to make advances to their member banks for periods not exceeding 90 days on the promissory notes of such member banks secured by direct obligations of the United States.

It will be appreciated if you will bring this amendment to the attention of all member banks in your district. There is enclosed herewith a copy of a press statement regarding this amendment which will be released by the Board for publication in the morning newspapers of March 20, 1942.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers of Friday, March 20, 1942. March 19, 1942

The Board of Governors of the Federal Reserve System has adopted an amendment to its Regulation A, Discounts for and Advances to Member Banks by Federal Reserve Banks, effective March 20, 1942. This amendment makes no change of substance in the Regulation. Its sole purpose is to rephrase one paragraph of the Regulation in order to make it clear that under the law the Federal Reserve Banks are authorized to make advances to their member banks for periods not exceeding 90 days on the promissory notes of such member banks secured by direct obligations of the United States.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-968
ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1942

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that the following holidays will be observed by Federal Reserve Banks and Branches during the month of April, 1942:

April 3 (Friday)	Philadelphia Pittsburgh Baltimore Jacksonville Nashville	New Orleans Chicago Memphis Minneapolis	Good Friday
April 6 (Monday)	Charlotte		Easter Monday
April 13 (Monday)	Richmond	Birmingham	Thomas Jefferson's Birthday
	Charlotte		In observance of Halifax Day, which falls on Sunday
	Salt Lake City		Arbor Day
April 20 (Monday)	Boston		In observance of Patriots' Day, which falls on Sunday
April 21 (Tuesday)	Dallas El Paso	Houston San Antonio	San Jacinto Day
April 22 (Wednesday)	Oklahoma City		Anniversary of opening of Indian Territory
	Omaha		Arbor Day
April 27 (Monday)	Birmingham	Jacksonville	In observance of Southern Memorial Day, which falls on Sunday

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On the dates mentioned 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 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 affected should be included in your note clearings of April 3, 13, 20 or 21.

Please notify branches.

Very truly yours,

F. A. Nelson,
Assistant Secretary.

LETTER TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

R-969

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers of Friday, March 20, 1942. March 19, 1942

The Board of Governors of the Federal Reserve System has adopted an amendment to its Regulation A, Discounts for and Advances to Member Banks by Federal Reserve Banks, effective March 20, 1942. This amendment makes no change of substance in the Regulation. Its sole purpose is to rephrase one paragraph of the Regulation in order to make it clear that under the law the Federal Reserve Banks are authorized to make advances to their member banks for periods not exceeding 90 days on the promissory notes of such member banks secured by direct obligations of the United States.

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R-970

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,
Monday, March 23, 1942

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

Industrial activity increased further in February and the first half of March. Retail trade was sustained at high levels and commodity prices continued to advance.

Production

In February the Board's seasonally adjusted index of industrial production rose from 171 to 173 per cent of the 1935-39 average. As in other recent months, activity in the durable goods manufacturing industries, where the majority of military products are made, continued to advance, while in industries making nondurable goods and at mines activity was maintained at about the levels reached last autumn.

Steel production rose to 96 per cent of capacity in February and increased further to 98 per cent in the third week of March--which corresponded to an annual rate of nearly 87 million net tons. Lumber production also increased, following less than the usual seasonal decline during the previous two months. In the machinery and transportation equipment industries, now engaged mainly in armament production, activity continued to advance rapidly as plant utilization increased and capacity expanded. Conversion to armament production in the automobile industry, where output of civilian products was discontinued in early February, is apparently being effected much more rapidly than had been anticipated earlier.

There were further increases in output at cotton textile mills and at chemical factories, reflecting an increasing amount of work on military orders. At meatpacking establishments activity was maintained near the high rate reached in January. Shoe production increased by less than the usual seasonal amount. Anthracite production rose sharply in February and bituminous coal production was maintained near the high rate of other recent months. Output of crude petroleum, which had been at record levels in December and January, declined somewhat in the latter part of February and in the first half of March, reflecting transportation difficulties.

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Construction

Value of construction contract awards increased considerably in February, according to figures of the F. W. Dodge Corporation, owing mainly to a sharp rise in awards for public projects. Total awards in February were half again as large as last year, and public awards were about three times as large.

In nonresidential building, awards for public projects increased materially, while those for private projects continued to decline. There was a slight rise in awards for public utility construction.

In residential building, contracts for private work changed little from January, while those for publicly-financed projects increased sharply and amounted to about half of the total for the first time on record. For the past six months there has been a noticeable shift in privately-financed housing activity from building for owner-occupancy to building for sale or rent; in February, awards for the former constituted only about one-fifth of the small-homes total. This shift is attributable mainly to the activity in defense areas and to legislation enacted last spring making possible the insurance of mortgages taken out by builders.

Distribution

Value of retail trade continued large in February. Sales at general merchandise stores and variety stores increased more than seasonally, while sales at department stores declined. In the first half of March department store sales increased by about the usual seasonal amount.

Freight-car loadings, which in January had been unusually large for this time of year, declined somewhat in February owing to smaller shipments of coal, grain, and miscellaneous freight.

Commodity prices

Wholesale prices continued to advance from the middle of February to the middle of March, particularly those for finished consumer goods such as meats, fruits and vegetables, shoes, clothing, and household items. Temporary maximum price orders were issued covering wholesale prices of some of these products, including pork, canned fruits and vegetables, finished cotton and rayon fabrics, cotton rugs, and bedding equipment. These orders, according to statute, used as maximums the prices prevailing within five days prior to issuance. They are effective for only 60 days and may be replaced by regular schedules.

Treasury financing and bank credit

In March income tax receipts by the Treasury for the first time reflected the higher schedule of rates. The effect of these receipts on the money market was largely offset by redemption of Treasury bills previously issued to mature during the tax collection period, by tax-anticipation notes

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turned in on payment of taxes, and by continued heavy Treasury expenditures. As a consequence a record volume of Treasury operations was effected with little influence on conditions in the market. Excess reserves of member banks showed no large change and on March 18 amounted to about $3.2 billion.

United States Government obligations held by member banks in leading cities showed little change during the first three weeks of March following a sharp rise in February. Commercial loans increased further.

United States Government security prices

Prices of United States Government bonds advanced steadily from the middle of February to the middle of March. Long-term taxable bonds yielded 2.35 per cent compared with an average of 2.39 per cent in February. Prices of short-term securities have held steady since the first of the year, with Treasury bills selling at around .20 per cent.

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R-971

BOARD OF GOVERNORS
OF THE
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Statement for the Press

For immediate release. March 23, 1942.

Under the instalment credit regulations as they were recently amended effective April 1, the credit value of a used automobile, instead of being based solely on the purchase price, must be based on the lower of either (1) the purchase price or (2) the average retail value as stated in one of the used-car guides designated by the Board of Governors of the Federal Reserve System. The Board has now determined which used-car guides are to be designated initially for the purposes of this rule.

For use for this purpose in any part of the United States the Board has designated certain editions of the N.A.D.A. Used Car Guide, the Market Record, and the Red Book or Blue Book. Certain other guides have also been designated for use in particular sections of the United States; these are Market Analysis Report (published at Boston), American Auto Appraisal (published at Detroit), Wisconsin Automobile Valuation Guide, Nebraska Used Car Survey, Kelley Blue Book (published at Los Angeles), The Official Guide (published at Los Angeles), and Northwest Used Car Values (published at Seattle). Detailed information as to which of these regional publications, and which editions of the national publications, have been designated for use in any particular territory, may be obtained from any Federal Reserve Bank or Branch.

A dealer is not required to use any particular automobile appraisal guide, but, for purposes of complying with Regulation W, may use quotations from any of the foregoing publications that are designated for use in his territory. The maximum credit value of a used automobile on or after April 1 will be 66-2/3 per cent of whichever is the lower of (1) the cash purchase price, or (2) the "appraisal guide value" (as determined from any designated guide). An exception is made for cars of 1934 and older models, for which the maximum credit value will be 66-2/3 per cent of the cash purchase price, as at present, without the requirement relating to the "appraisal guide value".

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BOARD OF GOVERNORS
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WASHINGTON

R-972

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 28, 1942

Dear Sir:

There is attached for the information of your Bank a brief statement with respect to the effect of the amendment to Section 14(b) of the Federal Reserve Act contained in the Second War Powers Act, which was approved by the President on March 27, 1942.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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R-972-a

On March 27, 1942, the President signed the Second War Powers Act, Section 401 of which amends the proviso in Section 14(b) of the Federal Reserve Act to read as follows:

> "Provided, That any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest may be bought and sold without regard to maturities either in the open market or directly from or to the United States; but all such purchases and sales shall be made in accordance with the provisions of section 12A of this Act and the aggregate amount of such obligations acquired directly from the United States which is held at any one time by the twelve Federal Reserve banks shall not exceed $5,000,000,000."

This amendment is to remain in force only until December 31, 1944, or until such earlier time as Congress by concurrent resolution, or the President, may designate, and thereafter Section 14(b) in the form in effect prior to the approval of the Second War Powers Act will be in full force and effect.

It will be noted that the amendment removes the limitation contained in the proviso that direct and fully guaranteed securities as specified therein may be purchased and sold only in the open market, and authorizes such purchases and sales either in the open market or directly from or to the United States. However, all such purchases and sales, including direct purchases and sales to and from the United States, are subject to the provisions of Section 12A of the Federal Reserve Act, which provides that no Federal Reserve Bank shall engage or decline to engage in open market operations under Section 14 of the Federal Reserve Act except in accordance with the direction of and regulations adopted by the Federal Open Market Committee. The further provision has been added by the amendment that the aggregate amount of direct and guaranteed obligations purchased directly from the United States and held by the Federal Reserve Banks at any one time under the authority of Section 14(b) shall not exceed five billion dollars. This, of course, does not mean that the total direct purchases from the Treasury may not exceed five billion dollars, but that the Federal Reserve Banks may not hold more than that amount of such purchases at any one time.

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R-973

BOARD OF GOVERNORS
OF THE
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Statement for the Press

For release in morning newspapers of
Saturday, April 11, 1942 April 10, 1942

The Board of Governors of the Federal Reserve System announced today adoption of Regulation V to carry out the President's Executive Order No. 9112 of March 26, 1942, for the purpose of facilitating and expediting the financing of war production. The Regulation was adopted after consultation with the War Department, the Navy Department, and the United States Maritime Commission following conferences in which representatives of the War Production Board participated.

The objective, as set forth in Regulation V, is to facilitate and expedite production for war purposes by arranging for the financing of contractors, subcontractors and others engaged in businesses or operations deemed by the armed services and the Maritime Commission to be necessary for the prosecution of the war.

The War Department has sent initial instructions to the Federal Reserve Banks covering the authority and procedure to be followed by them in acting for the War Department under the Board's Regulation. The program embraces financial aid for contractors and subcontractors, both large and small, and contemplates the maximum participation of small business enterprises in war production.

Regulation V prescribes general rules and policies to govern the operations of the twelve Federal Reserve Banks, which will act as fiscal agents of the armed services and the Maritime Commission in carrying out the President's Executive Order. The utilization of the facilities of the twelve Federal Reserve Banks and their twenty-four branches throughout the United States makes it possible to decentralize the war financing program to a large extent. The program looks to the fullest possible participation by the banks of the United States, whether members or nonmembers of the Federal Reserve System, in the financing contemplated under the authority of the President's Executive Order.

Under the Executive Order the three military procurement agencies are authorized to guarantee commercial banks, Federal Reserve Banks, the Reconstruction Finance Corporation, or other financial institutions against loss on loans made to concerns to finance the performance of war orders. The primary aim is to expand and expedite war production. Accordingly, peacetime credit rules or standards, as the President stated at the time of signing the Executive Order, must not be permitted to hold up production of war supplies needed by the armed forces.

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The Board's Regulation authorizes the Federal Reserve Banks, acting in accordance with the provisions of the President's Executive Order and the instructions of the three military procurement agencies, to arrange loans and guarantees thereof wherever it is believed that they will contribute to the obtaining of maximum war production expeditiously.

To assist in carrying out the provisions of the President's Executive Order and to aid in decentralizing operations under it as fully as possible, the War Department plans to have a liaison officer stationed at each Federal Reserve Bank. Generally speaking, the liaison officer will certify to the Reserve Bank that an applicant for financing is qualified from the technical or production standpoint to carry out a contract, subcontract or order for war supplies or equipment.

It is expected that any applicant will first take up his credit needs with his commercial bank or other financing institution. When the necessary credit cannot be arranged by the financing institution without the assistance of the War Department, the financing institution will apply to the Federal Reserve Bank for a guarantee of a part or all of the proposed financing. After certification by the liaison officer, it will be the Reserve Bank's function to analyze the financial aspects of the application, including the integrity of the management, and determine the type of financing best suited to meet the situation.

Under the initial instructions of the War Department, and upon appointment of liaison officers, guarantees or loans up to a prescribed maximum to be determined by the War Department will be made at the Federal Reserve Bank without reference to Washington.

Attached is a copy of Regulation V.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-974

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 10, 1942

Dear Sir:

For your information in connection with operations under Executive Order No. 9112 dated March 26, 1942, there is enclosed herewith a copy of a letter addressed by the Board of Governors to the Comptroller of the Currency under date of April 8, 1942, together with a copy of the Comptroller's reply of April 9, 1942, with regard to limitations on loans made by national banks in participating in the program under the Executive Order mentioned.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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R-974-a

April 8, 1942

Honorable Preston Delano,
Comptroller of the Currency,
Washington, D. C.

Attention: Mr. J. L. Robertson

S I R:

As you know, under Executive Order No. 9112, dated March 26, 1942, the War Department, Navy Department and the U. S. Maritime Commission are authorized to make and guarantee loans for the purpose of financing any contractor or subcontractor engaged in a business which is deemed to be necessary, appropriate or convenient for the prosecution of the war. The Federal Reserve Banks are authorized by the Executive Order to act as agents for the War Department, Navy Department and Maritime Commission in carrying out the provisions of this Order.

We have been advised of a situation in which a subcontractor engaged in war production is in need of credit for the financing of such production; and a question has arisen whether such credit may be supplied through a loan by a national bank which would be guaranteed under the provisions of the Executive Order. However, it appears that the legal lending limit of the national bank under the provisions of section 5200 of the Revised Statutes is not sufficient to enable the bank to supply the credit required.

In the circumstances, the Board will appreciate the consideration by your office of the question whether that part of a loan made by a national bank in these circumstances which is guaranteed by the War Department, Navy Department or Maritime Commission under this Executive Order is subject to the restrictions of section 5200 of the Revised Statutes. In connection with any such consideration of this question, representatives of the Board would be glad to confer with representatives of your office if such a conference is deemed necessary.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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R-974-b

TREASURY DEPARTMENT

Comptroller of the Currency

Washington

April 9, 1942

Board of Governors
Federal Reserve System
Washington, D. C.

Dear Sirs:

This will acknowledge receipt of your letter dated April 8, 1942, relative to participation by national banks in the lending program contemplated by Executive Order No. 9112, dated March 26, 1942.

It is the position of this office that national banks may participate in this program by extending credit to contractors, subcontractors, or other persons, without limitation upon amount, provided that a commitment is secured obligating the War Department, the Navy Department or the Maritime Commission to take over within ten days after demand, that portion of each such extension of credit which otherwise would exceed the limitations specified in section 5200 of Rev. Stat. of 1873, as amended (U.S.C. title 12, sec. 84), and section 24 of the Federal Reserve Act, as amended (U.S.C. title 12, sec. 371). That portion of each extension of credit which is not covered by a commitment must comply with the statutory requirements which would be applicable to a similar loan unrelated to this program.

We have not attempted, in this letter, to deal with the numerous particular problems which will arise in applying the general rule stated herein. For instance, with respect to loans secured by real estate, it might be necessary, in order to comply with the provisions of section 24 of the Federal Reserve Act, that the entire loan be covered by a commitment, or that the interest of the War Department, Navy Department or Maritime Commission in the real estate security be subordinate to that of the bank. Such problems can be dealt with more effectively after the exact procedure for handling loans under this program has been established.

Yours very truly,

(Signed) C. B. Upham

Deputy Comptroller

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-975

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 17, 1942

Dear Sir:

We expect to discuss with the War Department in the near future the type of reports it will want to receive from the Federal Reserve Banks currently and periodically with respect to loans guaranteed by the Federal Reserve Banks as fiscal agents of the United States on behalf of the War Department. Pending the preparation of forms on which such information will be reported, it will be appreciated if you will mail to the Board a report in duplicate on Form F. R. 577 covering each loan guaranteed. A copy of this form is enclosed and a supply is being forwarded to you under separate cover.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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R-976

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in afternoon papers, Wednesday, April 22, 1942.

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

Industrial activity continued at a high rate in March and the first half of April. Distribution of commodities to consumers was maintained in large volume and commodity prices advanced further.

Production

Volume of industrial production increased seasonally in March and the Board's adjusted index remained at 172 per cent of the 1935-39 average. Output of durable manufactured products, now mostly war materials, continued to advance, reflecting mainly increased activity in the iron and steel, machinery, aviation, and shipbuilding industries. Production of lumber and cement, which had been maintained at unusually high levels during the winter months, increased less than seasonally in March.

In most industries manufacturing nondurable goods activity was sustained at earlier high levels. In some, however, notably wool textiles and petroleum refining, there were declines owing to restrictions on production for civilian use and, in the case of petroleum products, to transportation difficulties. Mineral production declined in March and the first half of April, reflecting sharp curtailment in output of crude petroleum. Coal production, which usually declines at this season, was maintained in large volume. The Great Lakes shipping season opened in the latter part of March and the first boatload of iron ore reached lower Lake ports 12 days earlier than the record set last year. Shipments during the coming season are expected to exceed considerably the total of 80 million gross tons brought down the Lakes last year.

Value of construction contract awards continued to increase in March, according to figures of the F. W. Dodge Corporation, and the level of the first quarter of 1942 was the highest in recent years, being some 30 per cent above that of the corresponding period last year. Awards for public work amounted to close to 80 per cent of the total and in the residential field accounted for 52 per cent of the value of all projects. Publicly-financed contracts for factory construction showed a sharp increase, partly offset in the total by a decline in private factory construction.

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On April 9 the War Production Board issued an order which required explicit permission of the Government for initiation of all new private construction involving expenditures in excess of specified small amounts and not covered by specific priority ratings.

Distribution

Value of retail trade in March continued at the high level of other recent months, making allowance for customary seasonal changes. Sales at department and variety stores increased by somewhat less than the usual seasonal amount while sales by mail-order houses rose more than seasonally.

On the railroads total loadings of revenue freight were maintained in large volume in March and the first half of April. Shipments of coal and coke declined less than seasonally and ore loadings increased sharply, while grain shipments declined further from the peak reached in January. Loadings of miscellaneous merchandise, which had been unusually large in the preceding three months, increased less than seasonally.

Commodity prices

The general level of wholesale commodity prices advanced 1-1/2 per cent further from the middle of March to the middle of April. Among manufactured products, finished consumers' goods, such as foods, clothing, and shoes, continued to show the largest price increases. Prices of most raw materials were unchanged or showed increases, which in a number of cases reflected the raising of Federal maximum price levels. There were declines in prices of wheat and of a few other commodities, including gasoline at Gulf ports and turpentine.

In retail markets maximum prices were fixed in this period for a number of electrical products, most of which will no longer be produced for civilian use after May 31. Prices of many other commodities and services advanced further.

Bank credit

During the four weeks ending April 15 holdings of Government securities at banks in leading cities increased by nearly 700 million dollars, while commercial loans declined somewhat, following a rise in previous weeks. Changes in member bank reserves and deposits reflected principally the temporary effects of Treasury operations in connection with income tax collection and the sale of certificates of indebtedness. Money in circulation continued to increase.

United States Government security prices

Following an advance from the mid-February low, prices of U. S. Government bonds remained relatively steady in the first half of April.

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BOARD OF GOVERNORS
OF THE
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WASHINGTON

R-977

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 22, 1942

Dear Sir:

On Saturday, May 30, Memorial Day, the offices of the Board of Governors of the Federal Reserve System will be closed and there will be neither transit nor Federal Reserve note clearing through the Board's Interdistrict Settlement Fund. All Federal Reserve Banks and branches will be closed on that day except Atlanta, Birmingham, Jacksonville, Little Rock, and Louisville.

The Board is advised that the following holidays also will be observed during the month of May:

May 11 (Monday)	Charlotte Branch	In observance of Confederate Memorial Day, which falls on Sunday
May 15 (Friday)	Portland Branch	Primary election day in Oregon
May 20 (Wednesday)	Charlotte Branch	Mecklenburg Independence Day

Please include transit clearing credits for the offices affected on May 11, 15 and 20 with your credits for the following business day.

Please notify branches.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
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WASHINGTON

R-978

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 24, 1942

Dear Sir:

For your information in connection with Executive Order No. 9112, your attention is called to certain provisions of the Sixth Supplemental National Defense Appropriation Bill, 1942 (H.R. 6868). This bill has passed both Houses of Congress but has not yet been signed by the President.

Title I of the bill, relating to appropriations for the War Department, is prefaced by the following provision:

> "For additional amounts for appropriations for the Military Establishment, fiscal year 1942, which, together with the unexpended balances remaining under all appropriations for the Military Establishment for the fiscal years 1940 and 1941, shall be supplemental to, merged with, and become a part of, the appropriations under the respective heads in the Military Appropriation Act, 1942, as amended by Acts supplemental thereto, including the objects and subject to the limitations and conditions specified under said heads, respectively, in those Acts, except as otherwise provided herein; and such appropriations heretofore and herein made shall remain available until June 30, 1943, for the purposes of such appropriations and for carrying out the provisions of Executive Order Numbered 9112 of March 26, 1942 including obligations chargeable against appropriations for the Military Establishment for the respective purposes of said appropriations for the fiscal years 1940 and 1941, as follows:"

Title II of the bill contains in section 202 thereof the following provision:

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"The appropriations of the Navy Department for the fiscal years 1942 and 1943 shall be available to carry out the provisions of Executive Order Numbered 9112 of March 26, 1942."

Because of its interest in this connection, there is quoted below a statement made on the floor of the House of Representatives on April 21, 1942 by Mr. Clarence Cannon who was Chairman of the Conference Committee which considered this bill:

"On March 26, 1942, the President issued Executive Order 9112, which authorizes the War and Navy Departments and the Maritime Commission to enter into contracts with any Federal Reserve Bank, the R.F.C., or other financing institutions for the purpose of financing any contractor or subcontractor or others engaged in any business or operation which is deemed by War or Navy or Maritime Commission to be in the interest of the prosecution of the war. This order is designed principally to give assistance to small business in financing its participation in war contracts. Provision has now been made in the bill so that the appropriations for the War and Navy Departments shall be available to carry out, without question, the intentions of the Executive Order. In my judgment, it was not necessary to include this special provision in the bill, but, since the Senate added the amendments, we see no harm in including them."

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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R-979 75

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

April 30, 1942

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

Dear Sir:

The Board of Governors has revised its Regulation S relating to industrial loans by Federal Reserve Banks effective today. The changes which have been made in the Regulation are merely of a clarifying or technical character and are intended to facilitate the participation of the Federal Reserve Banks in the program of war financing contemplated by the President's Executive Order No. 9112 of March 26, 1942.

The text of the revised Regulation S, with the exception of the appendix, is enclosed herewith. Printed copies of the revised Regulation will be mailed you as soon as practicable; and in this connection it will be appreciated if you will advise the Board of the number of copies which will be required for the use of your Bank.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
Washington

April 30, 1942

Foreword

In order to facilitate the participation of Federal Reserve Banks in the program of war financing contemplated by the President's Executive Order No. 9112 of March 26, 1942, the Board of Governors has revised its Regulation S relating to loans by Federal Reserve Banks to industry and business under the provisions of section 13b of the Federal Reserve Act. The changes which have been made in the regulation are merely of a clarifying or technical character.

As heretofore, the regulation leaves the powers granted by Congress to the Federal Reserve Banks unimpaired and prescribes no restrictions beyond those required by the law itself. Any attempt to prescribe technical definitions of such terms as "working capital", "established industrial or commercial business" and "financing institutions" has been avoided, lest it have the effect of restricting or hampering the operations of the Federal Reserve Banks under the statute. The regulation, therefore, contains little except an analysis of the law and an outline of the necessary procedure.

The law permits Federal Reserve Banks to make direct loans to established industrial and commercial businesses only when authorized by the Board of Governors of the Federal Reserve System; but, in order to avoid the necessity of having applications for such accommodations passed on in Washington, the Board has continued in the revised regulation the blanket authority to all Federal Reserve Banks to grant such accommodations directly on their own responsibility without reference to Washington.

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REGULATION S
Revised Effective April 30, 1942
INDUSTRIAL LOANS BY FEDERAL RESERVE BANKS

INTRODUCTION

This regulation is based upon and issued pursuant to section 13b of the Federal Reserve Act, as amended, and other provisions of law. The provisions of section 13b and certain other related statutory provisions are set forth in the appendix to the regulation.

SECTION 1. TRANSACTIONS BY FEDERAL RESERVE BANKS WITH FINANCING INSTITUTIONS

(a) Legal requirements. - Under the provisions of subsection (b) of section 13b of the Federal Reserve Act, a Federal Reserve Bank is authorized to discount obligations for, purchase obligations from, and make loans or advances on the security of such obligations direct to, any bank, trust company, mortgage company, credit corporation for industry or other financing institution (hereinafter referred to as "financing institution") operating in its district and to make commitments with regard to such discounts, purchases, loans or advances, subject to the following requirements:

(1) Obligations which are the subject of such discounts, purchases, loans, advances, or commitments must have been or must be entered into for the purpose of obtaining working capital for an established industrial or commercial business;

(2) Such obligations must have a maturity of not exceeding five years;

(3) Each such financing institution shall -

A. Obligate itself to the satisfaction of the Federal Reserve Bank for at least 20 per centum of any loss which may be sustained by the Reserve Bank upon any such obligation acquired from such financing institution, the existence and amount of any such loss to be determined in accordance with subsection (c) of this section; or

B. In lieu thereof, advance at least 20 per centum of such working capital and in such event the advances by both such financing institution and the Federal Reserve Bank shall be considered as one advance and repayment shall be made on a pro rata basis.

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(b) Applications by financing institutions. - An application[1] by a financing institution for the discount or purchase of an obligation entered into for the purpose of obtaining working capital for an established industrial or commercial business located in any Federal Reserve district or for a loan or advance on the security of such an obligation or for a commitment with regard to such discount, purchase, loan, or advance, may be transmitted to the Federal Reserve Bank of any district in which the applicant financing institution is operating and shall be submitted by such Federal Reserve Bank to the Industrial Advisory Committee of such district. Such application may be made on a form furnished for that purpose by the Federal Reserve Bank and must contain or be accompanied by such information, agreements, and documents as the Federal Reserve Bank may require.

(c) Existence and amount of losses. - The Federal Reserve Bank shall be deemed to have sustained a loss upon any obligation acquired from a financing institution in accordance with the provisions of this section of this regulation whenever the board of directors of the Reserve Bank, after investigation, shall have determined that such obligation or any part thereof is a loss and the Reserve Bank shall have charged off of its books the amount so determined to be a loss, subject to review by the Board of Governors of the Federal Reserve System. The amount of loss in any such case shall be deemed to be the amount so charged off, together with unpaid interest thereon. Such financing institution shall reimburse the Federal Reserve Bank for the portion of such loss for which such financing institution shall have obligated itself, with interest on such portion of such loss until the date of such reimbursement. If any recovery be realized on the amount of the loss ascertained in accordance with this subsection, such financing institution and the Federal Reserve Bank shall be entitled to share pro rata in the amount so recovered.

SECTION 2. DIRECT TRANSACTIONS BY FEDERAL RESERVE BANKS WITH ESTABLISHED INDUSTRIAL OR COMMERCIAL BUSINESSES

(a) Legal requirements. - A Federal Reserve Bank may exercise its authority to make loans to or purchase obligations of an established industrial or commercial business having an office or place of business in its district or to make commitments with respect thereto under subsection (a) of section 13b of the Federal Reserve Act: (1) in exceptional circumstances

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[1]Attention is invited to the requirements of subsections (h) and (k) of section 22 of the Federal Reserve Act quoted in the appendix to this regulation, with regard to material statements or overvaluation of security in connection with applications of this kind and with regard to the giving or receiving of fees, commissions, bonuses, or things of value for procuring or endeavoring to procure from a Federal Reserve Bank any credit accommodation, either directly from such Federal Reserve Bank or indirectly through any financing institution.

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pursuant to the authority hereinafter granted by the Board of Governors of the Federal Reserve System; (2) when it appears to the satisfaction of the Federal Reserve Bank that such established industrial or commercial business is unable to obtain requisite financial assistance on a reasonable basis from the usual sources; (3) for the purpose of providing such established industrial or commercial business with working capital; (4) on a reasonable and sound basis; and (5) with respect to obligations which have maturities not exceeding five years.

(b) Authorization by Board of Governors of the Federal Reserve System. - The Board of Governors of the Federal Reserve System, pursuant to the provisions of subsection (a) of section 13b of the Federal Reserve Act, hereby authorizes every Federal Reserve Bank, until such time as the Board of Governors may revoke or modify such authority, to make loans to and purchase obligations of established industrial or commercial businesses, and to make commitments with respect thereto, subject to the provisions of the law and this regulation.

(c) Applications by established industrial or commercial businesses. - An application[1] by an established industrial or commercial business for a loan to, or the purchase of the obligations of, such business, or a commitment with respect to such a loan or purchase, may be transmitted to the Federal Reserve Bank of any district in which an office or place of business of the applicant is located and shall be submitted by such Federal Reserve Bank to the Industrial Advisory Committee of such district. Such application may be made on a form furnished for that purpose by the Federal Reserve Bank and must contain or be accompanied by such information, agreements, and documents as the Federal Reserve Bank may require.

SECTION 3. INDUSTRIAL ADVISORY COMMITTEES

(a) Membership of committees. - The Industrial Advisory Committee established in each Federal Reserve district under the provisions of subsection (d) of section 13b of the Federal Reserve Act shall consist of five members actively engaged in some industrial pursuit within the Federal Reserve district in which the committee is established. The membership of such committee shall consist of persons who are familiar with the problems and needs of industry and commerce in such district.

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[1]Attention is invited to the requirements of subsections (h) and (k) of section 22 of the Federal Reserve Act quoted in the appendix to this regulation, with regard to material statements or overvaluation of security in connection with applications of this kind and with regard to the giving or receiving of fees, commissions, bonuses, or things of value for procuring or endeavoring to procure from a Federal Reserve Bank any credit accommodation, either directly from such Federal Reserve Bank or indirectly through any financing institution.

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On or before the 15th day of February of each year, the board of directors of each Federal Reserve Bank shall submit to the Board of Governors of the Federal Reserve System the names of the persons selected to serve for the ensuing year as members of the Industrial Advisory Committee of the district of such Federal Reserve Bank, and, if approved by the Board of Governors, such persons shall serve for terms of one year commencing on the 1st day of March of such year. Vacancies that may occur in the membership of such committees shall be filled in like manner, and persons appointed to fill such vacancies shall hold office for the unexpired terms of their predecessors.

(b) Recommendations of committees. - The Industrial Advisory Committee, to which an application for any such discount, purchase, loan, advance, or commitment by the Federal Reserve Bank of the district shall have been submitted, after an examination by it of the business with respect to which the application is made and a consideration of the necessity and advisability of granting the application and of such other factors as it may deem appropriate, shall transmit the application to the Federal Reserve Bank together with the recommendation of the committee.

SECTION 4. AGGREGATE AMOUNT OF ACCOMMODATIONS WHICH MAY BE EXTENDED BY A FEDERAL RESERVE BANK

Except with the permission of the Board of Governors of the Federal Reserve System, the aggregate amount of loans, advances, and commitments of each Federal Reserve Bank made pursuant to the provisions of section 13b of the Federal Reserve Act and outstanding, plus the amount of purchases and discounts acquired under that section and held at the same time, shall not exceed the surplus of such Federal Reserve Bank as of July 1, 1934, plus all amounts paid to such Federal Reserve Bank by the Secretary of the Treasury under subsection (e) of section 13b of the Federal Reserve Act.

SECTION 5. RATES

All rates of interest and of discount established by any Federal Reserve Bank with respect to loans, advances, discounts and purchases made under authority of the provisions of section 13b of the Federal Reserve Act, and all charges established by any Reserve Bank with respect to commitments made under such authority, shall be subject to review and determination of the Board of Governors of the Federal Reserve System.

SECTION 6. REPORTS BY FEDERAL RESERVE BANKS

Each Federal Reserve Bank shall make a daily report to the Board of Governors of the Federal Reserve System of all transactions entered into pursuant to the authority conferred by section 13b of the Federal Reserve

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Act on the Board's form B D 4, prescribed for the reporting of discount transactions.

SECTION 7. CHANGES IN REGULATIONS

The Board of Governors of the Federal Reserve System, pursuant to the authority conferred upon it by section 13b of the Federal Reserve Act, may alter, modify, or amend the provisions of this regulation from time to time in its discretion.

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R-980

BOARD OF GOVERNORS
OF THE
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Statement for the Press

For immediate release April 30, 1942

The Federal Open Market Committee has directed the twelve Federal Reserve Banks to purchase for the System Open Market Account all Treasury bills that may be offered to such banks, on a discount basis at the rate of 3/8 per cent per annum.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM R-981
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 2, 1942

Dear Sir:

Referring to our letter, R-975, of April 17, 1942, pending an agreement with the War Department as to the kinds of reports it will want to receive with respect to outstanding loans guaranteed on its behalf by the Federal Reserve Banks as fiscal agents of the United States, it will be appreciated if you will mail to the Board at the end of each month a report in duplicate on Form F. R. 579 covering each guarantee outstanding at the end of the report month. A copy of this form is enclosed and a supply is being forwarded to you under separate cover.

It will also be appreciated if reports on the enclosed Form (F. R. 579) and on Form F. R. 577, with appropriate changes in headings, are forwarded to the Board with respect to loans guaranteed by the Federal Reserve Banks as fiscal agents of the United States on behalf of the Navy Department and the Maritime Commission.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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Form F. R. 579
May 1942
St
CO

FEDERAL RESERVE BANK OF _____

DATE _____

LIST OF WAR DEPARTMENT GUARANTEES OUTSTANDING

Name of borrower	Number of guarantee 1/	Date of guarantee	Original amount of		Office of War Department		Amount of guarantee outstanding at end of report month as shown by books of Reserve Bank
			Loan	Guarantee	With which contract is held (Prime contract)	For which goods are being produced (Sub-contract)	

1/ Refers to number in report of Federal Reserve Bank on Form F. R. 577.

Report to be mailed in duplicate to Board of Governors at end of each month and to show status of all guarantees outstanding at end of month.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-982

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 14, 1942

Dear Sir:

There are being forwarded to you under separate cover copies of the following pages of the Manual of Instructions Governing the Preparation of Functional Expense Reports (Form E), revised effective April 1, 1942:

Page	Page
89	121-h
121-f	Table of Contents
121-g	pages

Revised pages 121-f, 121-g, and 121-h relate to expenses incurred by the Federal Reserve Banks in performing work as fiscal agents of the United States for the War Department, the Navy Department, and the Maritime Commission pursuant to Executive Order No. 9112.

Page 89, "Legal", has been revised to permit the charging of legal expenses, where they are in substantial amount, to a Fiscal Agency or other reimbursable expense unit.

Page 53-a, "National Defense--Defense Contract Officer", should be eliminated from the Manual.

It is assumed that work connected with the making of loans and guarantees pursuant to Executive Order No. 9112, as well as in connection with Section 13b loans and commitments, will be handled in the "Loans, Rediscounts, and Acceptances" function, and that as a consequence it will be necessary to keep time records in order to determine the amount of salaries which should be charged against each of the units for which such work is performed. It is believed that the method of allocating costs between these various expense units should be uniform for all Federal Reserve Banks, and, accordingly, it will be appreciated if you will advise the Board of the method you propose to follow in determining such allocations.

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It is suggested that the first vouchers of the Federal Reserve Banks requesting reimbursement for expenses incurred pursuant to Executive Order No. 9112 be submitted after the end of May and include expenses for the period from April 16 to May 31, 1942, inclusive. Subsequent vouchers should be submitted monthly in the same form and in the same detail as those submitted to other Government agencies.

Unless otherwise instructed, it is suggested that vouchers requesting reimbursement for expenses be addressed as follows:

War Department expenses to: Advance Payment and Loan Section,
Office of the Under Secretary of War,
War Department,
Washington, D. C.

Navy Department expenses to: Finance Section,
Office of the Under Secretary of the Navy,
Navy Department,
Washington, D. C.

Maritime Commission expenses to: Assistant Director of Finance-Construction,
Maritime Commission,
Washington, D. C.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers
of Wednesday, May 6, 1942 May 5, 1942

In conformity with the President's Special Message to Congress of April 27 and under authority of Executive Order No. 8843 of August 9, 1941, the Board of Governors of the Federal Reserve System has adopted, effective May 6, 1942, Amendment No. 4 of Regulation W relating to consumer credit.

As amended, the Regulation is extended to cover a comprehensive list of durable and semi-durable goods for civilian consumption, and contemplates that the volume of outstanding consumer credit, already substantially diminished, will be further contracted in keeping with the Government's purpose to prevent the rapid bidding up of prices. The purpose of this revision is to help make effective the last point in the 7-point program which the President set forth in his Special Message to Congress of April 27, 1942, as follows:

> "To keep the cost of living from spiraling upward, we must discourage credit and instalment buying, and encourage the paying off of debts, mortgages, and other obligations; for this promotes savings, retards excessive buying and adds to the amount available to the creditors for the purchase of War Bonds."

The principal changes made in the Regulation are:

1. The list of consumers' goods to which the Regulation applies has been broadened to include automobile batteries and accessories, tires and tubes; bedding; draperies; binoculars; household electric appliances not hitherto listed; used furniture; jewelry; luggage; athletic equipment; table and kitchenware; pottery, glassware; yard goods; and non-military clothing and furs, including shoes, hats and other haberdashery. The full list is attached with the additions italicized.

2. The maximum permissible maturity of instalment sales has been reduced to 12 months, and the required down payment for all listed articles has been increased to 33-1/3 per cent. Exceptions to this rule include instalment sales of automobiles, for which the down payment of one-third and the maximum maturity of 15 months are retained, and furniture and pianos, for which the required down payment, formerly 10 per cent, becomes 20 per cent, the maximum maturity being 12 months.

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3. The scope of the Regulation has been broadened to make it cover, in addition to instalment sales and instalment loans, charge-account sales of listed articles and single-payment consumer loans. The Regulation provides with respect to charge accounts that unless payment is made by the tenth day of the second calendar month following the purchase, no further credit may be extended to purchase any listed article until the items in default have been paid for in full or have been placed on an instalment basis for payment within 6 months. No down payments are required on purchases in charge accounts.

4. Single-payment loans of $1500 or less are limited to a maturity of 90 days, and where such a loan is to purchase a listed article costing $15.00 or more, a down payment is also required. If not paid in 90 days, the loan must be placed on an instalment basis.

5. The revised Regulation provides that instalment payments shall not be less than $5.00 per month or $1.25 per week.

The exemption from down-payment requirements of instalment sales maturing within 3 months has been repealed.

Provisions covering seasonal adjustments and so-called farmer plans are retained in the Regulation, together with various additional exceptions, such as real estate loans; security loans subject to Regulations T and U; educational, hospital, medical, dental, and funeral expenses; aircraft; defense housing; credit to dealers; fire and casualty insurance premiums; agricultural production loans; business loans; insurance policy loans; and extensions of credit to the Federal Government, to local governments, or to any hospital, school, college, or other educational or charitable institution.

Copies of the Regulation are being printed at each of the Federal Reserve Banks and will be distributed by them throughout the country within a few days. Any inquiries with respect to the Regulation should be addressed to the Federal Reserve Bank of the district in which the inquiry originates.

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LISTED ARTICLES

Group A - One-third down and 12 months' maximum maturity:

1. Air conditioners, room unit
2. Air conditioning systems, home
3. Aircraft (including gliders)
4. Attic ventilating fans
5. Automobile batteries and accessories
6. Automobile tires and inner tubes, for passenger automobiles
7. Bedding, blankets, curtains, draperies, and household linens and towels
8. Bicycles
9. Binoculars, field glasses, opera glasses, and hand telescopes
*10. Boats, and inboard and outboard motors designed for use therewith, other than boats or motors designed specifically for commercial use
11. Clocks, electric or other, designed for household or personal use
12. Cooking stoves and ranges, designed for household use
13. Dishwashers, electric, designed for household use
14. Electric appliances, not elsewhere listed, designed for household or personal use
15. Floor coverings (including fabric and linoleum type rugs, carpets, mats, and other floor covering materials, whether or not designed to be affixed to the floor)
16. Furnaces and heating units for furnaces, household (including oil burners, gas conversion burners, and stokers)
17. Heating stoves and space heaters, designed for household use
18. Ironers designed for household use
19. Jewelry (including precious stones and costume jewelry)
20. Lamps designed for household use
**21. Lawn mowers, edgers, and trimmers (whether or not power-driven)
22. Lighting fixtures designed for household use
23. Luggage, purses, handbags, toilet cases, and umbrellas
24. Motion picture cameras, projectors, and lenses, designed for film gauges less than 35 mm.; still cameras, projectors, lenses and shutters, and enlargers
***25. Musical instruments not elsewhere listed
26. Organs, household electric
27. Plumbing and sanitary fixtures designed for household use
28. Portable lights, and portable or stationary flood-lighting equipment, designed for household use
29. Radio receiving sets, phonographs, or combinations
30. Refrigerators, mechanical, of less than 12 cubic feet rated capacity
31. Sewing machines designed for household use
32. Silverware (including flatware and hollow ware, whether solid or plated)
33. Sports', athletic, outing, and games' equipment
34. Suction cleaners and mechanical carpet sweepers, designed for household use
35. Tableware and kitchen ware, equipment, and utensils, designed for household use (including pottery, porcelain, chinaware, glassware, and cutlery)

*Boats other than power driven boats added effective May 6, 1942.
**Edgers and trimmers other than mower-type added effective May 6, 1942.
***Musical instruments other than those composed principally of metal added effective May 6, 1942.

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36. Washing machines designed for household use
37. Watches
38. Water heaters designed for household use
39. Water pumps designed for household use
40. Wearing apparel and furs, non-military, (including footwear, headwear, and haberdashery)
41. Yard goods designed for making garments or for making articles of household use

Group B - 20 per cent down and 12 months' maximum maturity:

*1. Furniture, household (including ice refrigerators, bed springs, and mattresses)
2. Pianos

Group C - 12 months' maximum maturity:

1. Materials and services (other than articles, whether or not designed for household use, which are of kinds elsewhere listed) in connection with repairs, alterations, or improvements upon urban, suburban or rural real property in connection with existing structures (other than a structure, or a distinct part thereof, which, as so repaired, altered or improved, is designed exclusively for non-residential use), provided the deferred balance does not exceed $1,500

Group D - 33-1/3 per cent down and 15 months' maximum maturity:

1. Automobiles (passenger cars designed for the purpose of transporting less than 10 passengers, including taxi-cabs)

2. Motorcycles (two or three-wheel motor vehicles, including motor bicycles)

*Used furniture added effective May 6, 1942.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-984

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 6, 1942

Dear Sir:

There are enclosed for your convenience and for such use as you may wish to make of them, two tables showing the corresponding sections of Regulation W as revised effective May 6, and as it was immediately prior thereto.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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TABLE OF CORRESPONDING SECTIONS OF REGULATION W AS REVISED EFFECTIVE MAY 6, 1942 AND AS EFFECTIVE MARCH 23, 1942

May 6, 1942 Section	March 23, 1942 Section
§ 1	§ 1
§ 2	§ 2
§ 2(a)	§ 2(a)
§ 2(b)	§ 2(b)
§ 2(c)	§ 2(c)
§ 2(d)	New, but see § 2(d)
§ 2(e)	§ 2(d)
§ 2(f)	New
§ 2(g)	New
§ 2(h)	§ 2(e)
§ 2(i)	New
§ 2(j)	§§ 4(f)(2), 5(a)(2); Supp., Part 4(a)
§ 2(k)	§ 3(a)(1)
§ 3(a)	§ 3(a)
§ 3(b)	§ 3(b)
§ 3(c)	§ 3(c)
§ 3(d)	§ 3(d)
§ 4	§ 4
§ 4(a)	§§ 4(a), 4(e)
§ 4(b)	§ 4(b)
§ 4(c)	§§ 4(c), 4(d)
§ 4(d)	§ 4(f)
§ 5	New
§ 5(a)	New
§ 5(b)	New
§ 5(c)	New
§ 5(d)	New
§ 5(e)	New
§ 5(f)	New
§ 6	§ 5
§ 6(a)	§ 5(a)
§ 6(b)	§ 5(b), Supp., Part 5.
§ 6(c)	§ 5(c)
§ 6(d)	§ 5(d)
§ 7	New
§ 7(a)	New
§ 7(b)	New
§ 7(c)	New
§ 7(d)	New
§ 7(e)	New
§ 7(f)	New

May 6, 1942 Section	March 23, 1942 Section
§ 8	§ 6
§ 8(a)	§ 6(a)
§ 8(b)	New
§ 8(c)	§§ 6(c), 6(d)
§ 8(d)	§ 6(e)
§ 8(e)	§ 6(o)
§ 8(f)	§ 6(g)
§ 8(g)	§ 6(i)
§ 8(h)	§ 6(j)
§ 8(i)	§ 6(k)
§ 8(j)	§ 6(l)
§ 8(k)	New
§ 8(l)	New
§ 9	New
§ 9(a)	§§ 4(d), 5(c)(3)
§ 9(b)	§ 9(f)
§ 9(c)	New
§ 10(a)	§ 8(a)
§ 10(b)	§ 8(b)
§ 10(c)	§ 8(c)
§ 10(d)	§ 8(d)
§ 11(a)	§ 8(g)
§ 11(b)	§ 5(f)
§ 11(c)	§ 8(f)
§ 11(d)	Supp., Part 2
§ 11(e)	New
§ 12(a)	§ 9(a)
§ 12(b)	§§ 4(g), 5(e)
§ 12(c)	§§ 5(a)(2), 9(b)
§ 12(d)	§ 9(c)
§ 12(e)	§§ 8(e), 9(d)
§ 12(f)	§ 9(d)
§ 12(g)	§ 9(e)
§ 12(h)	§ 9(g)
§ 12(i)	§ 9(h)
§ 12(j)	§ 9(i)
§ 12(k)	§ 9(j)
§ 12(l)	New
§ 13(a)	Supp., Part 1
§ 13(b)	Supp., Part 2
§ 13(c)	Supp., Part 3
§ 13(d)	Supp., Part 4(b)
§ 13(e)	Supp., Parts 2, 3(b)
§ 14	§ 7
§ 15	§ 10

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TABLE OF CORRESPONDING SECTIONS OF REGULATION W AS EFFECTIVE MARCH 23, 1942 AND AS REVISED EFFECTIVE MAY 6, 1942

March 23, 1942 Section	May 6, 1942 Section
§ 1	§ 1
§ 2	§ 2
§ 2(a)	§ 2(a)
§ 2(b)	§ 2(b)
§ 2(c)	§ 2(c)
§ 2(d)	§§ 2(d), 2(e)
§ 2(e)	§ 2(h)
§ 3(a)	§ 3(a)
§ 3(a)(1)	§§ 2(k), 3(a)(1)
§ 3(b)	§ 3(b)
§ 3(c)	§ 3(c)
§ 3(d)	§ 3(d)
§ 4	§ 4
§ 4(a)	§ 4(a)
§ 4(b)	§ 4(b)
§ 4(c)	§ 4(c)
§ 4(d)	§§ 4(c), 9(a)
§ 4(e)	§ 4(a)(3)
§ 4(f)	§ 4(d)
§ 4(g)	§ 12(b)
§ 5	§ 6
§ 5(a)	§ 6(a)
§ 5(b)	§ 6(b)
§ 5(c)	§§ 6(c), 9(a)
§ 5(d)	§ 6(d)
§ 5(e)	§ 12(b)
§ 5(f)	§ 11(b)
§ 6	§ 8
§ 6(a)	§ 8(a)
§ 6(b)	Deleted
§ 6(c)	§ 8(c)
§ 6(d)	§ 8(c)
§ 6(e)	§§ 8(d), 8(e)
§ 6(f)	Deleted
§ 6(g)	§ 8(f)
§ 6(h)	Deleted
§ 6(i)	§ 8(g)
§ 6(j)	§ 8(h)
§ 6(k)	§ 8(i)
§ 6(l)	§ 8(j)
§ 7	§ 14

March 23, 1942 Section	May 6, 1942 Section
§ 8(a)	§ 10(a)
§ 8(b)	§ 10(b)
§ 8(c)	§ 10(c)
§ 8(d)	§ 10(d)
§ 8(e)	§ 12(e)
§ 8(f)	§ 11(c)
§ 8(g)	§ 11(a)
§ 9(a)	§ 12(a)
§ 9(b)	§ 12(c)
§ 9(c)	§ 12(d)
§ 9(d)	§§12(e), 12(f)
§ 9(e)	§ 12(g)
§ 9(f)	§ 9(b)
§ 9(g)	§ 12(h)
§ 9(h)	§ 12(i)
§ 9(i)	§ 12(j)
§ 9(j)	§ 12(k)
§ 10	§ 15

Supplement

Part 1	§§ 4(a),4(b),6(a),13(a)
Part 2	§§11(d),13(b),13(e)
Part 3	§§13(c),13(e)
Part 4(a)	§ 2(j)
Part 4(b)	§ 13(d)
Part 5	§ 6(b)

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R-985

STATEMENT FOR THE PRESS

For release in morning newspapers
of Friday, May 8, 1942

May 7, 1942

In accordance with that part of the President's Special Message to Congress of April 27 which urged the paying off of debts as a restraint upon rising living costs, the Comptroller of the Currency, the Board of Directors of the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System have issued the following joint statement with respect to the procedure to be followed by their respective organizations to encourage the reduction of individual debt through amortization of bank loans:

"One of the greatest advances in banking practices during recent years has been the wide acceptance of the principle of amortization of debts. This principle is incorporated in Regulation W, issued by the Board of Governors of the Federal Reserve System, which relates to consumer credit and applies to certain types of bank loans.

"In the exercise of their supervisory responsibilities, the Comptroller of the Currency, the Board of Directors of the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System urge that the principle of amortization be extended to other loans which are not subject to the provisions of Regulation W, particularly to the volume of single-payment loans to individuals for nonproductive purposes presently outstanding.

"The examiners for the respective agencies are being instructed to pay particular attention in the course of their examinations to individual debt to determine whether it is being reduced and to the circumstances which may be preventing its reduction or preventing it being put on an amortization basis. The examiners are likewise being instructed to include in their reports of examination comments as to the extent to which the bank has cooperated in the program for reduction of personal indebtedness incurred for nonproductive purposes, and as to the results achieved.

"In order to provide a measure of the volume of personal loans, banks will be asked from time to time to report information as to the amounts of single-payment personal loans on their books in addition to information now being reported as to instalment paper."

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-986

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 20, 1942

Dear Sir:

The Board of Governors of the Federal Reserve System is advised that the following holidays will be observed by Federal Reserve Banks and branches during the month of June 1942:

June 3 (Wednesday)	Richmond Atlanta Birmingham Jacksonville Nashville New Orleans	Dallas El Paso Houston San Antonio	Confederate Memorial Day and Jefferson Davis' Birthday
June 15 (Monday)	Philadelphia	Pittsburgh	In observance of Flag Day (which falls on Sunday)
June 17 (Wednesday)	Boston		Bunker Hill Day

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 affected on each of the holidays with your credits for the following business day. No debits covering Federal Reserve note shipments for account of the head offices affected on each of the holidays should be included in your note clearing on those dates.

Please notify branches.

Very truly yours,

F. A. Nelson,
Assistant Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

FOR VICTORY
BUY UNITED STATES WAR BONDS AND STAMPS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers, Saturday, May 23, 1942.

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

Industrial activity increased in April and the first half of May reflecting continued advances in armament production. Following an increase in buying during the first quarter, retail trade declined somewhat. Wholesale commodity prices advanced further.

Production

Expansion of industrial production in April was reflected in an advance in the Board's seasonally adjusted index from 172 to 174 per cent of the 1935-39 average. This increase followed upon a period of relative stability during the first quarter of the year, when growing war production was offset by decreased civilian output.

Since the beginning of the year total volume of industrial output has shown little change but there have been marked differences among individual industries. In general output of machinery, chemicals, and armament of all kinds has continued to expand at a rapid rate. There have also been substantial increases in output of electric steel, nonferrous metals, glass containers, wood pulp, and coal. On the other hand, output of many products for civilian use such as automobiles, tires and tubes, wool textiles, electrical appliances, alcoholic beverages, petroleum, and petroleum products has been sharply reduced either by direct order or by shortages of material or transportation facilities. In the month of April crude petroleum and petroleum products were the principal commodities showing a decline in output. Output of furniture, cotton and rayon textiles, manufactured foods, paper products, and tobacco products has been maintained in large volume.

Value of construction contracts awarded in April, as reported by the F. W. Dodge Corporation, was almost one-fifth below the high March total, reflecting a decline in publicly financed construction. Residential contracts decreased by one-fourth and for the month were at about the same level as last year. Awards for non-residential building increased slightly, mainly because of a 40 per cent increase in awards for factory construction, practically all publicly financed.

In the first four months of 1942, total awards were about one-fourth greater than in the corresponding period last year; public awards

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more than doubled, while those for private projects were down by about two-fifths. Public awards in this period made up over 70 per cent of the total, compared with about 40 per cent last year.

Distribution

Retail sales declined somewhat in April, following a considerable amount of anticipatory buying during the first quarter of this year. At department stores, dollar sales in April were about 10 per cent below the first quarter average, making allowance for usual seasonal variations, but were 5 per cent above the level prevailing during the latter part of 1941. During the first half of May sales showed a further decrease and were around 6 per cent larger than a year ago in contrast with price increases amounting on the average to about 20 per cent over the year period.

Total freight car loadings increased sharply in April owing chiefly to larger shipments of coal and forest products, and to a sharp rise in iron ore loadings as the Great Lakes shipping season got underway. Shipments of merchandise in less than carload lots, which had begun to decline in March, were reduced sharply further in April, reflecting Government action to increase the average load per car in order to effect fuller utilization of railroad equipment.

Commodity prices

Beginning on May 11, wholesale prices of most commodities were limited to the highest levels reached during March, according to the general maximum price regulation issued April 28. Effective May 18, retail prices of most commodities were likewise limited. Retail prices of related services will be limited beginning July 1.

About 30 new maximum price schedules for industrial products were issued from the middle of April to the middle of May. Most of these covered wholesale prices of items previously subject to informal or temporary controls. Upward adjustments in maximum prices were allowed for coal, ferromanganese, tires, petroleum products, and a few other items.

Wholesale prices of most farm products and basic foods, which are exempt from direct control, showed little change in this period, following sharp increases earlier in the year.

Bank credit

During the five weeks ending May 20 Federal Reserve Bank holdings of Government securities increased by about 200 million dollars, while currency in circulation rose by 260 million. Member bank deposits increased during the period and required reserves showed a corresponding growth. The net result was a decline of 300 million in excess reserves. Holdings of United States securities at banks in leading cities increased further, while commercial loans declined. Liquidation of loans was concentrated at banks

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in New York City and in the Kansas City district.

United States Government security prices

Prices of U. S. Government bonds declined in the last half of April, but steadied in the first half of May. Rates on current Treasury bill issues rose from about 0.20 per cent in March to 0.36 per cent in May. The Federal Open Market Committee announced on April 30 that Federal Reserve Banks stood ready to purchase all Treasury bills offered at 0.375 per cent.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-988

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1942

Dear Sir:

There are being forwarded to you today under separate cover copies of page 103a (and revised page 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, "Victory Fund Committee". An additional copy of each of these pages is enclosed for your information. Revised pages of Form E covering this change and those mentioned in the Board's letter R-982 of May 4, will be mailed to your Bank when received from the printer.

Very truly yours,

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

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY UNITED STATES WAR BONDS AND STAMPS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-418

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 3, 1942

Dear Sir:

Enclosed is a copy of a telegram regarding section 8(c) of Regulation W. A copy of this telegram has already been telegraphed to your Bank under date of December 20, 1941.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

S-418-a

December 20, 1941

(Addressed to a Federal Reserve Bank)

Your wire December 5. A borrower who has contracted to pay 18 monthly instalments of $25 each and who becomes four months past due in the middle of the contract may borrow $100 from another lender on an 18-month basis in view of the fact that section 8(c) refers only to "retire" and not to "reduce". However, the original lender could not lend him $100 with which to pay the past-due instalments since that would be in effect a lengthening of the maturity of the original loan without a statement of necessity.

If the four payments were at the end of an 18-month contract the loan by the new lender would be to "retire" and therefore could not be made without a statement of necessity.

If the past due payments were in the middle of the 18-month contract, the new lender could not take over the entire contract without a statement of necessity. The new loan could not be made under section 8(b) because the past due instalments and the instalments not yet due are not two separate obligations. The new loan could not be made with the entire outstanding balance divided into equal monthly instalments over the remainder of the original 18 months' maturity because that would have the effect of revising the contract so as to make the last instalments substantially greater than the earlier instalments.

(Signed) Chester Morrill

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-419

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 3, 1942

Dear Sir:

Enclosed you will find a copy of a letter, dated January 1, 1942, addressed to the Board of Governors by the Honorable Robert P. Patterson, Under Secretary of War, and a copy of Governor Draper's reply thereto, relating to Executive Order No. 9001, dated December 27, 1941. There is also enclosed a copy of P. & C. General Directive No. 98, signed by the Under Secretary.

In all probability the Defense Contract Officer at your head office and branches, if any, will receive an increasing number of requests from officers of the supply arms and services of the War Department for information and assistance in expediting the war effort. Requests will be received for confidential reports regarding industrial concerns in order to aid in the intelligent awarding of contracts and in order that requests for advance payments may be acted upon as promptly as possible. It will be appreciated if you will forward to this office a copy of each of the reports made by the Defense Contract Officer at your head office and branches, if any, advising the name of the officer to whom the report was furnished and the name and address of the concern involved. In those cases where the report is furnished in connection with an advance payment request, please also set forth in the copy of the report forwarded to this office the number and amount of the contract, the date of its execution, the article or articles contracted for, and the amount of the advance payment requested.

Major Paul Cleveland of the Office of Under Secretary of War plans to visit certain field procurement districts in the very near future and, as Judge Patterson's letter sets forth, expects to contact certain of the Defense Contract Officers while on such visits in connection with the War Department's procedure as outlined in General Directive No. 98.

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Your cooperation in assisting the War Department will be very much appreciated.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures 3

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS

(P. & C. General Directive No. 98 sent only with copies to Presidents and Defense Contract Officers.)

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Federal Reserve Bank of St. Louis

WAR DEPARTMENT
OFFICE OF THE UNDER SECRETARY
Washington, D. C.

January 1, 1942

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

Attention: Honorable Ernest G. Draper

Gentlemen:

For your information there is enclosed a copy of P. & C. General Directive No. 98, dated December 30, 1941, relating to Executive Order No. 9001, signed by the President of the United States on December 27, 1941. This General Directive, addressed to the chiefs of the supply arms and services, outlines the War Department procedure in respect to advance payments to contractors.

As you will note, reference is made to the chiefs of the supply arms and services and other officers obtaining confidential information with regard to financial condition and management referred to in the Directive from the Federal Reserve Defense Contract Officers at the 12 Federal Reserve Banks and 24 Branches. The War Department would appreciate the Federal Reserve System's cooperation in making available confidential information of this nature in order to aid in the intelligent awarding of contracts and in order that requests for advance payments may be acted upon as promptly as possible.

A representative of the Advance Payment Section, Purchase Contract Branch, Office of the Under Secretary of War, will visit certain field procurement districts in connection with the War Department's operations under P. & C. General Directive No. 98, and if agreeable to you expects to contact your defense contract officers. Also, a list of the names and addresses of the Federal Reserve Defense Contract Officers, which your office is furnishing, will be made available to the chiefs of the supply arms and services and other officers in order that they may know the proper contacts to make at the Federal Reserve Banks and Branches.

It is contemplated that representatives of my office will continue to call upon the Board of Governors, as in the past, for confidential information regarding certain contractors making requests for advance payments in those cases where the requests are not supported by sufficient information to enable my office to pass upon them initially or by way of review.

Your cooperation in assisting the War Department in these matters should materially expedite the war effort and will be very much appreciated.

Sincerely yours,
(Signed) Robert P. Patterson
Under Secretary of War

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Federal Reserve Bank of St. Louis

S-419-b

January 3, 1942

Honorable Robert P. Patterson,
Under Secretary of War,
War Department,
Washington, D. C.

Dear Judge Patterson:

Receipt is acknowledged of your letter of January 1, 1942, relating to Executive Order No. 9001, signed by the President of the United States on December 27, 1941, and General Directive No. 98 of the War Department outlining the War Department's procedure in respect to advance payments to contractors.

It is the desire of the Board of Governors to be of every possible assistance to the War Department in expediting the war effort and you can be assured that Federal Reserve Defense Contract Officers at the twelve Federal Reserve Banks and twenty-four branches will fully cooperate with the chiefs of the supply arms and services in making available certain confidential information to aid in the intelligent awarding of contracts and to expedite action in respect to advance payments to contractors.

The Board of Governors has today advised the Presidents of the Federal Reserve Banks and the Federal Reserve Defense Contract Officers of the new procedure to be followed by the War Department and has also advised them that a representative of your office will visit certain field procurement districts and expects to contact the Defense Contract Officers in certain of the Reserve Banks.

Sincerely yours,

(Signed) Ernest G. Draper

Ernest G. Draper.

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S-420
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

January 5, 1942

W-122. Group E-1 of the Supplement includes materials and services used in erecting a new fence or in replacing or repairing an existing fence on any property on which there is an existing structure.

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S-421
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

January 7, 1942

W-123. The words "down payment" in section 5(f) of Regulation W refer to the down payment required by the Regulation. Accordingly, if a seller asks for a larger down payment than is required by the Regulation, section 5(f) would not prevent a bank or other lender from lending the purchaser the difference between the down payment required by the Regulation and the down payment required by the seller.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-422

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 8, 1942

Dear Sir:

Enclosed for your information is a copy of a letter written to a Federal Reserve Bank regarding the requirements of Regulation W in a case where an obligor finds that he is unable to make one of his monthly payments and desires to make it at a later date.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

January 7, 1942

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

Dear Mr. _____:

This refers to your letter of November 29 regarding the effect of Regulation W on an instalment contract originally drawn for 12 months, where the borrower is unable to make one of the monthly payments and desires to make it on the 13th month. The question is a rather troublesome one, and the delay in answering your letter has been the result of the study which has been given to it by various members of the Board's staff.

As you point out, it would be undesirable to require the use of the Statement of Necessity to make minor adjustments of a kind which are apt to occur in a fairly large proportion of cases. To do so would encourage evasion on the part of some Registrants, and would cause annoyance at "useless formalities" on the part of others. Similarly, it would be undesirable to encourage resort to the provision in section 8(a)(2) regarding defaulted contracts in the type of case to which you refer since that provision also was intended to provide for exceptional cases, and not for the common type of case where only a slight readjustment is required.

However, Regulation W does not require a Registrant to take any action when a payment is omitted or paid only in part. If a Registrant wishes to revise or rewrite the contract, he must comply with the applicable provisions of the Regulation, such as section 8(a), section 8(d) and section 3(a)(2)(B). However, if a Registrant in the ordinary course of business merely refrains from foreclosing, repossessing or bringing suit in a case such as you describe, he would not be violating the Regulation, unless, of course, he were acting pursuant to a scheme designed to evade the Regulation. Obviously, if a Registrant made a practice of taking no action in such cases, and if the practice were known to his obligors, there would be at least a presumption that he was evading the Regulation.

This will probably furnish a practical solution to the problem in most cases, but we will be very glad to receive any comments or suggestions which you may have regarding it.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-423

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 9, 1942.

Dear Sir:

There are enclosed mimeographed copies of the January 1, 1942, lists of State bank members of the Federal Reserve System and nonmember banks that maintain clearing accounts with Federal Reserve Banks, heretofore published in the Par List. No copies of these lists have been sent to your branches, if any.

We shall furnish you shortly after the first of each month with mimeographed statements showing changes that have occurred during the preceding month in these lists. In this connection, you are requested to advise us by wire on the first business day of each month of any changes during the preceding month in the list of nonmember banks that maintain clearing accounts with your bank. It will not be necessary to furnish monthly a list of changes in State bank membership in your district. Such information will be compiled from the telegraphic advices of current changes in the status of State member banks furnished in response to the Board's letter of October 5, 1940 (S-229).

Very truly yours,

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

Enclosures.

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

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S-424
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

January 9, 1942

W-124. Interpretation W-16 dealt with a case in which a dealer sells a listed article but does not take a note from the customer payable to the dealer, and instead, according to arrangements with a bank, takes a note payable to the bank. W-16 stated that the transaction constitutes an extension of instalment sale credit within the meaning of section 2(d) of Regulation W. The Board has recently been asked whether the transaction also constitutes an extension of instalment loan credit, in which event a "Statement of Borrower" would have to be taken in connection with the transaction.

It is the view of the Board that such a transaction does not constitute an extension of instalment loan credit since, under section 2(e) of the Regulation, instalment loan credit includes only specified transactions "other than instalment sale credit".

It is to be noted, of course, that the definition of instalment sale credit in section 2(d) is by its terms confined to transactions involving a listed article, and that accordingly if the article involved were unlisted, the transaction might, as indicated in the last paragraph of W-119, be an extension of instalment loan credit.

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S-425

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 14, 1942

Dear Sir:

At the recent Fiscal Agency Conference held in Atlanta, one of the Federal Reserve Bank representatives suggested informally that we might arrange with the Treasury Department to go over the vouchers requesting reimbursement for fiscal agency expenses submitted by the Reserve Banks to the Department with a view to advising them of any changes that appear desirable.

In reviewing the vouchers for this purpose, the following points were noted:

1. The Treasury Department has advised one Reserve Bank that samples of printed forms and circulars supporting charges for printing and stationery may be omitted until further notice. It was suggested, however, that sample copies of printing and stationery either furnished by the Reserve Bank or purchased, charges for which are included in monthly claims for reimbursement, be retained in the Bank's files for one year in order that copies may be forwarded if required.

2. It is not necessary, in support of postage statement, to furnish copies of circulars and forms mailed to member banks and others.

3. When identical telegrams regarding Treasury issues are sent to a number of banking institutions, a few Reserve Banks submit a copy of each telegram dispatched in support of receipted bill from the telegraph company. Most Reserve Banks, however, submit only a blanket copy of the telegram in support of receipted bill and attach a list of the banks to which it was sent, showing the cost of transmission in each case. No exception has been taken to the latter practice.

4. It is not necessary to obtain signed receipts for overtime or supper money paid employees.

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While reviewing the vouchers, our attention was directed informally by a Treasury Department representative to the following in connection with reports on Form P.D. 804:

1. Some Reserve Banks are reporting all printing and stationery expense in the item "Envelopes, Stationery, and Office Supplies". The Treasury representative asks that printed office forms and letterheads be reported in the item "Printed Office Forms and Letterheads".

2. A few Reserve Banks are including premiums paid on Workmen's Compensation Insurance in the item "Salaries, Overtime, Etc.". The Treasury representative asks that such premiums be reported in the item "Miscellaneous".

3. One or two Banks are showing express charges in the item "Postage". The Treasury representative asks that such charges be reported in item "Miscellaneous".

Very truly yours,

E. L. Smead

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

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-426

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 16, 1942

Dear Sir:

As you know, under date of December 19, 1941, the President of the United States issued an Executive Order establishing the Office of Censorship. In addition to a Director of Censorship and a Censorship Policy Board the Order establishes a Censorship Operating Board consisting of representatives of such agencies of the Government as the Director of Censorship shall specify. Under date of December 23, 1941, a request was received from the Director of Censorship that the Board of Governors designate a representative on the Operating Board and in response to this request the Board designated Governor Draper to serve in that capacity. In his announcement of the members of the Operating Board, the Director of Censorship stated:

> "The Operating Board is the means by which the Office of Censorship utilizes the specialized activities of these agencies in the censorship of international communications. For example, the Treasury Department furnishes expert assistance in the censorship of articles passing through its Bureau of Customs."

Section 3(c) of the Trading With The Enemy Act prohibits communication by any means with an enemy or an ally of an enemy unless the communication is licensed or exempted. By an Executive Order dated October 12, 1917, the authority to issue licenses and exemptions was conferred by the President upon the Secretary of the Treasury and the latter was authorized to designate other agencies to carry out the authority with respect to licensing and exemptions vested in him. On December 24, 1941, the Secretary of the Treasury signed a designation vesting in the Office of Censorship the authority to issue licenses and exemptions in connection with communications with an enemy or an ally of an enemy and this designation was approved by the President on December 26, 1941, thus vesting in the Office of Censorship all of the outstanding operating authority with respect to censorship matters. Under the authority of the designation above referred to the Director of Censorship has issued a license to the Federal Reserve Bank of New York to communicate by radio and cable with certain foreign central banks and a similar license covering mail communication is in process.

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Copies of the President's Executive Order creating the Office of Censorship and the designation signed by the Secretary of the Treasury are enclosed with this letter.

Should any questions arise at your Bank with respect to censorship, we shall be pleased to have you forward them to the Board of Governors for consideration, and, if necessary, for submission by Governor Draper to the Office of Censorship.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

Enclosures 2

LETTER TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-426-a

EXECUTIVE ORDER

ESTABLISHING THE OFFICE OF CENSORSHIP AND PRESCRIBING ITS FUNCTIONS AND DUTIES

By virtue of the authority vested in me by the Constitution and the statutes of the United States, and particularly by section 303, Title III of the act of December 18, 1941, Public Law 354, 77th Congress, 1st Session, and deeming that the public safety demands it, I hereby order as follows:

1. There is hereby established the Office of Censorship, at the head of which shall be a Director of Censorship. The Director of Censorship shall cause to be censored, in his absolute discretion, communications by mail, cable, radio, or other means of transmission passing between the United States and any foreign country or which may be carried by any vessel or other means of transportation touching at any port, place, or Territory of the United States and bound to or from any foreign country, in accordance with such rules and regulations as the President shall from time to time prescribe. The establishment of rules and regulations in addition to the provisions of this order shall not be a condition to the exercise of the powers herein granted or the censorship by this order directed. The scope of this order shall include all foreign countries except such as may hereafter be expressly excluded by regulation.

2. There is hereby created a Censorship Policy Board, which shall consist of the Vice-President of the United States, the Secretary of the Treasury, the Secretary of War, the Attorney General, the Postmaster General, the Secretary of the Navy, the Director of the Office of Government Reports, and the Director of the Office of Facts and Figures. The Postmaster General shall act as Chairman of the Board. The Censorship Policy Board shall advise the Director of Censorship with respect to policy and the coordination and integration of the censorship herein directed.

3. The Director of Censorship shall establish a Censorship Operating Board, which shall consist of representatives of such departments and agencies of the Government as the Director shall specify. Each representative shall be designated by the head of the department or agency which he represents. The Censorship Operating Board shall, under the supervision of the Director, perform such duties with respect to operations as the Director shall determine.

4. The Director of Censorship is authorized to take all such measures as may be necessary or expedient to administer the powers

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hereby conferred, and, in addition to the utilization of existing personnel of any department or agency available therefor, to employ, or authorize the employment of, such additional personnel as he may deem requisite.

5. As used in this order the term "United States" shall be construed to include the Territories and possessions of the United States, including the Philippine Islands.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

Washington, D. C.,

December 19, 1941.

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Procedure for administering the duties imposed upon the Secretary of the Treasury by Articles XI and XIII of Executive Order No. 2729-A, dated October 12, 1917, under the Trading with the enemy Act, Act of October 6, 1917.

TREASURY DEPARTMENT, December 24, 1941

To officers of the Treasury Department and others concerned:

By virtue of the authority vested in the Secretary of the Treasury by Executive Order No. 2729-A, dated October 12, 1917, I hereby adopt the following administrative procedure deemed necessary and proper for the executive administration of Article XI, vested by said Executive Order in the Secretary of the Treasury; such administrative procedure to remain in effect unless and until modified or superseded by direction of the Secretary of the Treasury.

(1) I hereby designate the Office of Censorship to act as the agency of the Secretary of the Treasury to administer the authority vested in the Secretary of the Treasury relative to the sending, taking, or transmitting, or attempting to send, take, or transmit, out of the United States, and to issue licenses and exemptions under such regulations or conditions as the said Office may from time to time prescribe, to send, take, or transmit out of the United States, any letter, or other writing, book, map, plan, or other paper, picture, or any telegram, cablegram, or wireless message, or other form of communication intended for or to be delivered, directly or indirectly, to an enemy or ally of enemy. All applications for such licenses shall be made to the Office of Censorship in the form prescribed by it.

(2) I hereby designate the Bureau of Customs in the Department of the Treasury to administer and to issue licenses (except licenses to send, take, or transmit out of the United States any letter, writing, or tangible form of communication intended for or to be delivered, directly or indirectly, to an enemy or ally of enemy) in respect of the authority vested in the Secretary of the Treasury under Article XI of said Executive Order relative to sending, or taking out of, or bringing into, or attempting to send, take out of, or bring into, the United States any letter or other writing or tangible form of communication except in the regular course of the mail.

(Signed) H. MORGENTHAU, JR.

Secretary of the Treasury.

Approved, December 26, 1941

The White House.

(Signed) FRANKLIN D. ROOSEVELT

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-427

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 22, 1942

Dear Sir:

Enclosed you will find copy of a letter, dated January 20, 1942, addressed to the Board of Governors by the Honorable James Forrestal, Under Secretary of the Navy, and a copy of Governor Draper's reply thereto, relating to Executive Order No. 9001, dated December 27, 1941.

In all probability the Defense Contract Officer at your head office and branches, if any, will receive requests from Inspectors of Naval Materiel, Supervisors of Shipbuilding, Commandants of Naval Districts, and contracting officers of the Navy for confidential reports regarding industrial concerns in connection with the awarding of contracts and the making of advance payments. It will be appreciated if you will forward to this office a copy of each of the reports made by the Defense Contract Officer at your head office and branches, if any, advising the name of the officer to whom the report was furnished and the name and address of the concern involved. In those cases where the report is furnished in connection with an advance payment request, please also set forth in the copy of the report forwarded to this office the number and amount of the contract, the date of its execution, the article or articles contracted for, and the amount of the advance payment requested.

Your cooperation in assisting the Navy Department will be very much appreciated.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
COPY TO FEDERAL RESERVE DEFENSE CONTRACT OFFICERS

(Enclosures sent only with copies to Presidents and Defense Contract Officers)

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Federal Reserve Bank of St. Louis

S-428
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

January 27, 1942

W-125. Section 5(c)(1) requires that a copy of the statement of the transaction be given to the obligor. The Board has been asked whether a copy of the statement should be given to each of the parties to a note which is made by several co-makers, some of whom are accommodation makers.

The Board replied that a copy of the statement need be given only to the party who receives the proceeds of the loan.

Similarly, the Statement of the Borrower required by section 5(d) need be obtained only from the party who receives the proceeds of the loan.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-429

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 28, 1942

Dear Sir:

There is attached a copy of a letter dated January 23, 1942, from Mr. D. W. Bell, Under Secretary of the Treasury, together with copies of the enclosures referred to therein. Mr. Bell states that the information provided for in the form will permit the Secretary to keep up to date on the progress of sales of savings bonds under pay roll savings plans.

As your Bank has previously established a pay roll allotment plan for the purchase of Defense Savings Bonds, it is assumed that you have received a copy of the letter and the form direct from the Secretary of the Treasury and that the desired information will be submitted as requested.

In this connection, it will be appreciated if you will give the Board monthly the same information furnished the Treasury Department, in lieu of the information requested in the Board's letter dated October 11, 1941, S-372.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

(Enclosures with Mr. Bell's letter sent with addressed copies only)

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Federal Reserve Bank of St. Louis

S-429-a

TREASURY DEPARTMENT
Washington

January 23, 1942

Dear Mr. Bethea:

I am enclosing for your information a copy of a letter and form which the Secretary is sending to all companies which have established or have agreed to establish a payroll saving plan for their employees. The information provided for in the form will permit the Secretary to keep up to date on the progress of sales of savings bonds under such plans.

Sincerely,

(Signed) D. W. Bell

Under Secretary of the Treasury

Mr. L. P. Bethea, Assistant Secretary,
Board of Governors of the Federal
Reserve System,
Washington, D. C.

Enclosures

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-430

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 28, 1942

Dear Sir:

For your information there is attached a copy of a letter addressed to Mr. Mastin G. White, Solicitor of the U. S. Department of Agriculture, under date of January 15, 1942, regarding the application of section 6(a) of Regulation W.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-430-a

January 15, 1942

Mr. Mastin G. White, Solicitor,
U. S. Department of Agriculture,
Washington, D. C.

Attention: Mr. Clarence I. Blau, Chief
of Farm Security Division.

Dear Mr. White:

Reference is made to your letter of December 27, 1941, regarding section 6(a) of the Board's Regulation W which exempts: "Any extension of credit which is secured by a bona fide first lien on improved real estate duly recorded . . . . "

Your inquiry relates to supplemental loans made by your Department under Title I of the Bankhead-Jones Farm Tenant Act (7 U.S.C. 1000-1006). You describe such a case in which a loan was made in April 1941 in the amount of $3,680 secured by a first mortgage recorded April 16, 1941. This loan included the amount of $150 estimated to be necessary for the drilling of a well in order to supply water on the farm. This amount was calculated on the assumption that a well somewhat in excess of 65 feet, the average depth of wells in the community, would be necessary. At a depth of 93 feet water has not been located. It is, accordingly, necessary to advance additional funds in the amount of $300 so as to permit the well to be drilled to a greater depth.

Under the provisions of law cited above, the supplemental loan, as well as the original loan, is required to be secured by a first mortgage. Accordingly, an additional note and mortgage are taken to secure the supplemental advance in cases of this character. Because of the additional expense that would be involved to the low income borrowers of your Department, the Department has not insisted upon a consolidated mortgage to secure both the original advance and the supplemental advance. Since both mortgages are held by the Department, and since there are no intervening liens, your Department feels that the requirements of law that a first mortgage be obtained have been satisfied.

As you state in your letter, the Board's interpretation W-30 dealt with a case in which 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

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secured by one mortgage the lender takes another note and a second mortgage. That interpretation expressed the view that the $400 advance there involved is not secured by a "first lien" within the meaning of section 6(a). You point out, however, that in the case you present the supplemental advance is part of a continuing relationship and course of dealing between the lender and borrower, and hence in a very real sense is part of a single transaction. This did not appear to be the case in the situation discussed in W-30. The facts of that case do not indicate any connection between the two advances other than the fact that both notes and both liens happened to be held by the same lender.

It is the view of the Board that in a situation such as you describe the entire proceeding may be viewed as a single transaction and that, accordingly, the total advance to the borrower may be considered a single extension of credit which is secured by a first lien within the meaning of section 6(a).

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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S-431, S-432
Reg. W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

February 3, 1942

W-126. Under section 3(a) of Regulation W, every person "engaged in the business of making extensions of instalment sale credit or instalment loan credit ***" must file a simple registration statement.

Since section 6 of the regulation exempts certain transactions from the requirements of sections 4 and 5, questions have been received as to whether a person must register if the only kinds of "instalment sale credit" or "instalment loan credit" he extends are those covered by section 6.

The answer is that he must. The exemption, as indicated above, is only from sections 4 and 5, and it does not affect section 3. Furthermore, the credits described in section 6 are closely related to the general purposes of the regulation--in fact, many of them are exempted only on certain important conditions that are similar in many respects to those stated in sections 4 and 5.

W-127. Interpretation W-25 of Regulation W stated that a first mortgage may be considered a "first lien" within the meaning of section 6(a) of Regulation W, even though a prior lien for "current taxes not due and payable" exists under State law.

Although the facts involved in that interpretation related only to current taxes not due and payable, the Board has recently considered other questions regarding property taxes on mortgaged real estate under the regulation, and the Board is of the opinion that a first mortgage is a "first lien" within the meaning of section 6(a) regardless of the status of any property taxes on the property, whether the taxes are current or past due.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-433

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 3, 1942

Dear Sir:

For your information there is attached a copy of a letter addressed to Mr. D. W. Woolley, Vice President of the Federal Reserve Bank of Kansas City, on January 28, 1942 regarding the question whether a wind-charging light plant for the use of a dwelling is included in Group E under Regulation W.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
WAR
BONDS
AND
STAMPS

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S-433-a

January 28, 1942

Mr. D. W. Woolley, Vice President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri.

Dear Mr. Woolley:

Reference is made to your letter of January 16, 1942, and earlier correspondence, regarding the coverage of Group E of Regulation W.

A number of other inquiries have been received regarding Group E and, all things considered, it was decided that the description of Group E should be amended so that these questions might be answered more satisfactorily. You will note that the draft of proposed amendment No. 3 (consolidated) sent you on January 23 would add the word "residential" to the Group E description.

It is believed that this will clarify the application of the regulation in a number of cases. However, your letter of January 16 refers to a case in which a wind-charging light plant is for the use of a dwelling, and the Board is of the opinion that in such circumstances the plant would be included in Group E under both the present provision and the proposed new language.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-434

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1942

Dear Sir:

Recently the head of the Division of Frozen Funds Control of one of the Federal Reserve Banks received a request from a local censor for information which the head of the division did not feel he could give out without the consent of the Treasury Department. The matter was taken up with the Treasury and under date of January 27, 1942, the Treasury sent to the Frozen Funds Control division of each Federal Reserve Bank circular No. 113 authorizing the division to make information in its files and records available to the offices of Military and Naval Intelligence, Army and Navy Censorship, and agents of the Department of Justice.

The Board has not received any requests from the Office of Censorship that confidential information be made available to censors from other departments of the Federal Reserve Banks. However, should you receive requests for such information, it will be appreciated if you will give the censor the fullest cooperation practicable in the circumstances, and if the number of such calls assumes any substantial volume it is suggested that you advise the Board from time to time as to the number and general nature of the requests. Should you have any question at any time as to the information that should be furnished to the censor in response to his requests, the Board will be pleased to have you take the matter up with it.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-435

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 4, 1942

Dear Sir:

Referring to the Board's letter dated January 28, 1942, S-429, regarding the reporting of information relative to pay roll allotment plans, it is understood that a letter similar to the one received by the Board from Under Secretary of the Treasury Bell was also sent to the President of each Federal Reserve Bank.

It appears, however, that some of the Federal Reserve Banks did not receive a letter requesting this information directly from Secretary Morgenthau. The Defense Savings Staff advises that the list of concerns to which Mr. Morgenthau's letter has been, or will be, sent is based on information furnished the Treasury Department by State Administrators and apparently some Federal Reserve Banks have not as yet been included in the list. We have been advised today, however, that all Federal Reserve Banks will be placed on the list to receive a copy of Secretary Morgenthau's letter, and one should reach you shortly if it has not already been received. The Treasury has also advised us informally that, although one or two branches have been sent a copy of the letter, this practice will be discontinued and information regarding branches should be included in the head office reports.

In reporting information regarding pay roll allotment plans to the Board of Governors, it is suggested, as a matter of simplicity, that the desired information for your head office and branches, if any, be reported by the item numbers rather than the descriptions shown on the report card furnished by the Treasury Department.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-436

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 5, 1942

Dear Sir:

There is transmitted herewith a copy of a memorandum dated January 23, 1942, with attachment, addressed to Government departments and agencies other than military by Brigadier General Donald H. Connolly, Military Director of Civil Aviation, regarding priority travel on scheduled air carriers.

Since persons signing the priority travel certificates must certify that the travel is necessary to the successful prosecution of the war effort, and since it is urged that the number of persons authorized to sign the certificates be limited as much as possible, you will, no doubt, wish to require that any such certificates issued by your Bank be signed by the President or, in his absence, by the First Vice President.

Very truly yours,

L. P. Bethea,
Assistant Secretary

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-436-a

HEADQUARTERS OF THE ARMY AIR FORCES
WAR DEPARTMENT
Washington

January 23, 1942

MEMORANDUM FOR GOVERNMENTAL DEPARTMENTS AND AGENCIES OTHER THAN MILITARY

Subject: Priority Travel on Scheduled Air Carriers

Each Scheduled Air Carrier has been instructed by this office to grant priority transportation upon presentation of a certificate, in the form shown on attached sample, signed by an approved executive of a Federal Department or Agency, or other competent Government official.

The granting of a priority makes it mandatory upon the Air Carriers to remove other passengers or cargo if necessary, causing delay and inconvenience to these passengers or shippers whose transportation may be of importance. Consequently, it is urged that the persons authorized to sign the certificate be limited as much as possible. This certification may be made by telegram to a person requiring priority, as explained in the attached instructions.

(Signed) Donald H. Connolly

DONALD H. CONNOLLY
Brigadier-General, U. S. A.
MILITARY DIRECTOR OF CIVIL AVIATION

Attachment:

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Federal Reserve Bank of St. Louis

January 23, 1942

WAR DEPARTMENT
HEADQUARTERS OF THE ARMY AIR FORCES
Washington

Priorities for Air Transportation
DIRECTIVE #2

1. The Air Transport Industry Representative may route on any airline or any flight consistent with the required arrival at destination and availability of the passenger for departure.
2. Clearing of space for passengers or cargo of higher priority classifications than "other than military" may require displacement of passengers in this classification.
3. Use of the certificate below makes it mandatory upon air carriers to provide space for transportation stated, removing passengers and cargo if necessary.
4. Airline office should be contacted for reservation and to register priority as soon as possible, because priority passengers in the same classification will be carried in order of the time reservation was made and priority established, if a schedule cannot accommodate all priority requests made for it.
5. This form must be surrendered to the air carrier on which flight originates and passenger should be required to present it in advance to establish priority classification clearly. If trip consists of several stops, carrier will stamp tickets "PRIORITY" to insure proper handling at other cities.
6. This form must bear the signature of an approved executive of the issuing Federal Department or Agency. When necessary, a telegram addressed to the person requiring priority, worded as below, and signed by an approved executive will suffice, and the form will be completed by the passenger at an airline office.

_____
(Department or Agency of Federal Government)

_____
(Place)

Date _____

TO: Air Transport Industry Representative

_____
(City of origin of flight)

I certify that air transportation from _____ to _____ for _____ is necessary to the successful prosecution of the war effort and is hereby granted priority under classification "other than military".

(It is suggested that each Department or Agency duplicate this form on its own stationery to be distributed to those persons authorized to certify the necessity for priority air travel.)

_____
(Signed)

_____
(Title)

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-437

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 6, 1942

Dear Sir:

Enclosed for your information and files are copies of a letter and a telegram which were addressed to two Federal Reserve Banks regarding the question whether certain items were included in Group E in the Supplement to Regulation W.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures 2

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

S-437-a

February 6, 1942

Mr. _____, Vice President and Secretary,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letters of December 31 and January 12 asking certain questions regarding Group E in Regulation W.

Your first question relates to screens, awnings and storm windows. You state that you believe that these articles should be included in Group E, and the Board agrees, because, although they are readily removable without damage to the building, they are made to fit a particular building and, as a general proposition, would not be suitable for use elsewhere without alteration. They are, in effect, part of the building.

Your second question relates to electric signs, shelving, counters, and special lighting equipment used for business purposes. You state that you believe these items should not be included, and the Board agrees, because they may be removed without substantial damage and are usable elsewhere without material alteration. Needless to say, any such items which require structural changes for their installation, or which can not be removed without materially weakening or damaging the structure, would have to be classed as materials used in connection with "alterations or improvements" under Group E.

In addition, you inquire as to prefabricated marquees, and express the opinion that they should be included under Group E. This, as you state, is a rather difficult question. Normally, of course, a marquee is a part of the building to the same extent as the cornice or gutter, but if the marquees in question are designed and intended, like signs, to be installed and removed by the tenant, it would seem to be proper to classify them in the same manner as signs for the purpose of Regulation W. It is probably not possible to lay down any general rule regarding prefabricated marquees, since there are probably some which are no less substantial or permanent than those in front of large hotels.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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S-437-b

January 30, 1942

TELEGRAM

(Addressed to a Federal Reserve Bank)

Re your telegram January 23, it is not necessary under Group E that the contract relate to both materials and services. The contract may be for materials alone or for services alone or for both combined.

Regarding the second paragraph of your wire, the status of equipment as an "alteration or improvement" under Group E would not be affected by any agreement between the landlord and the tenant as to the right of the tenant to remove it at the expiration of the lease but would depend upon the nature of the equipment.

(Signed) Chester Morrill

Morrill

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-438

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 13, 1942

Dear Sir:

Referring to the Board's letter of February 5, 1942, (S-436), there is transmitted herewith a copy of a memorandum dated February 5, 1942, with attachment, sent to Government departments and agencies by Brigadier General Donald H. Connolly, U.S.A., Military Director of Civil Aviation, regarding priority travel on scheduled air carriers.

It will be noted that "Priorities for Air Transportation", Directive No. 3, which accompanies the memorandum referred to, supersedes previous instructions and is designed to clarify the procedure to be followed in making application for both passenger and cargo priority space. In this connection attention is called to the "Priority Classifications" which have been established and to the fact that the wording of the priority certificate has been changed by the substitution of the word "request" for the phrase "is hereby granted".

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-438-a

HEADQUARTERS OF THE ARMY AIR FORCES
WAR DEPARTMENT
Washington, D. C.

February 5, 1942

1. "Priorities for Air Transportation," Directive No. 3, dated February 5, 1942, is hereby published for the information and guidance of all concerned.

(Signed) Donald H. Connolly

DONALD H. CONNOLLY
Brigadier General, U. S. Army
Military Director of Civil Aviation

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HEADQUARTERS OF THE ARMY AIR FORCES
WAR DEPARTMENT
Washington

Date February 5, 1942.

PRIORITIES FOR AIR TRANSPORTATION

DIRECTIVE NO. 3

SECTION I - PRIORITY CLASSIFICATIONS

1. GENERAL

Directive No. 3 supersedes and cancels Directive No. 1, issued January 15, 1942, and Directive No. 2, issued January 23, 1942. It is the intent of this Directive, which combines and amplifies the two previous Directives, to further clarify the subject of Priorities for Air Transportation and the procedure to be followed in making application for both passenger and cargo priority space on scheduled air carriers.

2. PRIORITY CLASSIFICATIONS

PRIORITY CLASSES ARE ESTABLISHED AS FOLLOWS:

CLASS 1. Personnel of the White House upon personal request and identification.

CLASS 2. Army, Navy and Marine Corps airplane pilots of their respective Ferrying Commands traveling under military orders, upon presentation of such identifying orders. (Not an air transportation request, but Military Special Orders for travel by air.)

CLASS 3. Military personnel (War, Navy, Marine Corps, Coast Guard, and Allied Military Personnel) who present special orders directing travel by air (not on air transportation request or "authorization").

CLASS 4. Army and Navy equipment, ammunition, supplies, and materials essential to the war effort ordered for air movement by the War Department (Assistant Chief of Staff, G-4). Requests for such movements will be made by the Government Department or Agency concerned with the Air Transport Priority and Assignment Section (Office of the Assistant Chief of Staff, G-4, Department of Commerce Building, Room 5317, Telephone EXecutive 2460, Extension 1240).

CLASS 5. Personnel of all Government Departments and Agencies and other civilians whose activities are essential to the war effort, who are traveling on urgent missions "requiring travel by air," and who possess and present a certificate certifying that the transportation involved

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is necessary to the successful prosecution of the war effort; such certificate, to be signed by an approved executive of the Government department or agency concerned, or by other competent authority, specifically designated by the Supply Division G-4, War Department, General Staff.

This classification includes members of the Congress of the United States who may execute certificates for their own travel when engaged in activities essential to the war effort.

SECTION II - GENERAL

1. ESTABLISHMENT OF PRIORITIES

The Supply Division (G-4) War Department General Staff, is charged with the establishment of priorities for travel by commercial air lines.

2. DEFINITION OF PRIORITY TRANSPORTATION ON SCHEDULED AIR CARRIERS

A priority for air travel is a demand upon an air carrier for a space reservation between points in accordance with the priority classifications issued to facilitate the prompt execution of a mission essential to the war effort.

It does not direct transportation on a specific airline or flight unless only one airline or flight will permit the completion of the mission in the time required. It does not direct a specific type of accommodation on a flight, such as a sleeper accommodation.

3. DIRECTIVES

a. ISSUANCE:

Directives governing priority will be issued by the office of the Military Director of Civil Aviation, as the necessity becomes apparent, governing the transportation of persons and cargo by air necessary to the successful prosecution of the War Effort.

b. OBLIGATION OF AIR CARRIERS:

Compliance with directives is mandatory upon the Air Carriers to whom they are issued.

4. ORIGIN OF REQUEST FOR PRIORITY

If the passenger follows specific procedures outlined in this Directive, and future Directives, and proper credentials are presented to the Air Carrier, the request for priority will be automatically granted.

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If a particular case is not clearly covered by a Directive the passenger or shipper must request the priority through the Government Department or Agency for which the transportation is necessary to the successful prosecution of the war effort. To establish the priority an authorized person in the department or agency must obtain the approval of the office of the Assistant Chief of Staff (G-4) in Washington, Executive 2460, Extension 1240. If priority is established the Air Carrier(s) will be notified.

Persons or shippers not employed by the Government may obtain priority transportation only through the Government Agency or Department or other authority specifically designated by G-4, in whose interests the travel is performed.

The office of the Assistant Chief of Staff and the office of the Military Director of Civil Aviation will not receive calls from individual travelers or shippers, and will not act as a reservation office, but will function only in the establishment of priorities.

5. POLICY FOR ADMINISTERING PRIORITIES

a. GENERAL

1. It is the policy to administer priority transportation to cause the least inconvenience to regular passengers and shippers consistent with the prosecution of the war effort. There will be times when transportation for regular passengers and cargo will be deferred to clear space for priority transportation, but it is felt that this inconvenience will be limited and will not be serious enough to discourage regular passengers and shippers from taking full advantage of the use of Scheduled Air Transportation.

2. In considering transportation by air it will be borne in mind that there are many flights each day between main air terminals. This frequently makes it possible to use any one of many flights to complete a mission.

b. ORDER OF CONSIDERATION OF PRIORITIES

1. Priority classes shall take precedence in the order listed.

2. Passengers and cargo with the same priority classification will be accepted in the order that reservations are requested if all priority requests with the same classifications cannot be accommodated on a flight.

c. DISPLACEMENT OF PRIORITY PASSENGERS OR CARGO

Priority reservations will not be displaced on a flight by another priority request of the same classification. A priority reservation

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will be displaced by a priority request of a higher classification. When it becomes necessary to displace priority passengers or cargo in order to accommodate priorities of a higher classification, the local priority man on duty will designate the priority to be removed, based on instructions from G-4. He will expedite the removed priority to destination on first possible flight.

6. RESPONSIBILITY OF GOVERNMENT DEPARTMENTS AND AGENCIES

Government departments and agencies are requested to exercise care to assure that travel orders and certificates which specifically order priority travel by air - as distinguished from orders which merely authorize travel by air for the convenience of the individual - are limited to those cases where such travel is necessary to the successful prosecution of the war effort. It is believed that this can be best accomplished by each department or agency appointing an official who will have the authority to determine which individuals require priority travel by air and to contact the office of the Military Director of Civil Aviation (Executive 2460, Extension 1240) in cases of question or application. Cooperation is requested in order that the issuance of more drastic measures to restrict priority air travel may be avoided.

7. ORDERS AUTHORIZING TRAVEL BY AIR

Personnel traveling on orders which merely authorize travel by air as distinguished from orders directing travel by air, and not having a certificate which certifies that air travel is necessary to the successful prosecution of the war effort, will be assigned space in accordance with the usual practices of the scheduled air carriers.

SECTION III - SPECIAL INSTRUCTIONS

1. FOR PASSENGERS

a. Air travel having been determined as necessary, notify the air carrier concerned without delay, of the priority reservations required, the origin of the flight, the destination, the latest time of arrival at destination which will accomplish the mission, and of the fact that you will present an order directing travel by air or a certificate for priority.

b. Secure and present a copy of the travel order or a copy of the certificate requesting the priority air travel to the air carrier as soon as possible. The right to priority transportation will be established only after the credentials are presented to the air carrier.

c. Check to see if ticket is properly stamped to indicate priority classification.

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2. AIR CARRIERS

a. Request a copy of the passenger's order directing the air travel or a copy of the certificate requesting priority and determine the priority classification of the passenger in accordance with the Priority Classification shown in Section I.

b. The air carrier will stamp the tickets showing "PRIORITY CLASS _____."

c. IDENTIFICATION OF PRIORITY CLASSIFICATIONS

1. Class 1. Personnel of the White House who are not known to airline personnel may be requested to present some form of positive identification.

2. Class 2 and 3. Military personnel (War, Navy, Marine Corps, Coast Guard and Allied Military Personnel) will be identified by presentation of a special order which will direct travel by air as distinguished from special orders which merely authorize travel by air.

3. Class 4. Cargo. When air cargo is to be shipped on a priority basis a request for priority either in writing or by telephone (later confirmed in writing) will be made by the interested Government Department or Agency to the Air Transport Priority and Assignment Section (Office of the Assistant Chief of Staff, G-4), Department of Commerce Building, Room 5317, telephone Executive 2460, extension 1240, who will inform the air carriers of the priority to be assigned and arrange the details of the shipment through the ATA Liaison Office in the Office of the Military Director of Civil Aviation. This request will contain the following information:

> Origin of flight, destination, latest time of arrival at destination which will accomplish the purpose of the shipment, number and dimensions and weights of items in shipment, consignee, consignor, and the reason for shipment by air.

4. Class 5. Passengers in this classification will present certificate, in the form given below, from and signed by an authorized executive of their respective Government Department or Agency or the Government Department or Agency with which they are doing business.

FORM OF CERTIFICATE

This certificate must be worded exactly as shown below and properly signed by an executive of a department or agency of the Government, by a Senator or Congressman, or other person specifically designated by G-4.

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CERTIFICATE

_____
(Issuing Department or Agency)

_____
(Place)

_____
(Date)

TO: AIR TRANSPORT ASSOCIATION REPRESENTATIVE.

_____
(At City of Origin of Flight)

I certify that air transportation from _____ to _____ for _____ is necessary to the successful prosecution of the war effort and request priority under classification "Other than Military."

Signed _____

Title _____

1. It is suggested that each department or agency duplicate this form on its own stationery to be distributed to those persons authorized to issue these certificates.

2. Each office of a scheduled air carrier will maintain a supply of these certificates.

3. Passengers will surrender the certificate to Air Carrier Representative in city of origin of flight.

4. If passenger is not in same city as the authority requesting priority, such authority may include the full text of the certificate in a telegram addressed to the passenger. The passenger will surrender the telegram and complete a certificate in full at the office of the air carrier.

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BOARD OF GOVERNORS
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FEDERAL RESERVE SYSTEM
WASHINGTON

S-439
Reg. P-19

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 19, 1942

Dear Sir:

The Board recently has had occasion to review carefully its interpretation of the provisions of section 2(c) of the Banking Act of 1933 which provide that a corporation, business trust, association, or other similar organization is a "holding company affiliate" if it owns or controls, directly or indirectly, "more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election".

Concluding that the position heretofore taken on the facts in certain particular cases was incorrect, the Board has ruled that an organization is a holding company affiliate of a member bank if the number of shares owned or controlled by the organization is equal to more than 50 per centum of the number voted at the preceding election of directors of the bank, regardless of whether the shares so owned or controlled were or were not voted.

This ruling will be published in the March issue of the Federal Reserve Bulletin. However, if there are organizations in your district which you believe may be affected, it would be desirable for you to bring it to their attention. In any such case, it is suggested that consideration be given to the question whether it might be in order for the Board to determine that the organization is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c), with the result that upon such determination it would not be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-440

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 23, 1942

Dear Sir:

The Board has advised a Reserve Bank that a Registrant may be permitted to make the following changes in the "Statement of Borrower" (Form F.R. 564):

1. Move the block entitled, "To be filled in by Registrant" to the bottom of the form and add to the foregoing, "(Not by Borrower)".

2. Insert the word "elsewhere" in statement 5, so that it will read, "Have you borrowed any money elsewhere, or do you intend to borrow any ELSEWHERE, to be used in buying any of the Listed Articles specified above?".

It appeared that these changes would make the statement more understandable to the borrower, and the Board has no objection to them. However, for reasons that are readily apparent, the Board feels that any variations in the statement should be held to an absolute minimum.

It has occurred to the Board that other Reserve Banks may have suggestions which would improve the form, even though they would alter its characteristic of standardization if incorporated on a piecemeal basis. It will be appreciated, therefore, if you will advise the Board of such changes, if any, which you may wish to recommend for incorporation in the form so that these may be considered with a view to a revision of the form which would incorporate desirable changes and still maintain the advantages of standardization.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-441
Reg. D-15

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

February 21, 1942

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

Dear Mr. _____:

This refers to your letter of August 8, 1941, with enclosures, requesting the Board's opinion as to whether the balance in a "differential account" set up in connection with certain proposed contracts for the purchase of instalment paper by the Bank of _____, gives rise to a deposit liability against which reserves must be carried with the Federal Reserve Bank. As you know, since the receipt of your letter, this matter has been the subject of correspondence between Mr. Wyatt, the Board's General Counsel, and Mr. _____, General Counsel for your Bank, who has given it careful consideration in consultation with representatives of the Bank of _____.

While the four proposed forms of contracts enclosed with the bank's letter of July 29, 1941, vary somewhat in language because of their different subject matter, it is understood that all of such contracts may be regarded as having the same effect in so far as the present question is concerned. It appears that under these contracts the bank would purchase instalment paper at a price less than the face amount of the paper and that at the time of the purchase the dealer would be credited with the amount of the purchase price and full title to the paper would pass to the bank. Under the agreement, no further amounts would be credited to the dealer until "an amount in excess of the purchase price, plus ___% per annum computed monthly of the unpaid balance of the amount paid by the bank for such paper, is realized by the bank"; and any excess so realized would be applied first to satisfy any past due indebtedness of the dealer to the bank arising under the contract or otherwise, and any balance then remaining would be paid or credited to the dealer.

In practice, it is understood that the transaction is handled in the following manner. At the time of the purchase, in order to maintain a record of payments, the bank sets up what is termed a "differential account" representing the difference between the face amount of the paper and the purchase price. As monthly collections are made on the face amount of the paper, any amount realized in excess of the proportionate monthly part of the purchase price (plus the agreed interest or discount) is paid over to the dealer; and at the same time the differential account is reduced by the amount of such additional payment. As a result, the differential account at all times represents a certain percentage of the unpaid balance.

As you know, the Board had under consideration in 1938 a case involving somewhat similar facts. In that case it appeared that a national bank, in connection with its purchase of instalment paper from dealers, required each dealer to set aside out of the proceeds of the paper and carry

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with the bank in a "special reserve account" a certain percentage of the face amount of the paper or of the unpaid balance thereon. The bank was authorized to charge this account with any losses sustained in the collection of the paper discounted for the dealer or as the result of any other indebtedness incurred by the dealer. In a letter dated March 22, 1938 (S-81; F.R.L.S., #5978), the Board ruled that the amounts held in such a special reserve account, not being segregated from the other assets of the bank, should be regarded as deposits against which reserves must be carried with the Federal Reserve Bank.

In the case now under consideration it appears that the so-called differential account constitutes merely a current record of the excess of the unpaid balance of the face amount of the paper over the unpaid balance of the agreed purchase price. Under the terms of the contract, the bank is under no liability to the dealer for the amounts credited to the differential account until actually collected. In the case considered by the Board in 1938, it was understood that the bank at the time it acquired the notes gave the dealer credit for the full face amount thereof but set aside an agreed percentage of this amount as a special reserve fund which was not available to the dealer until after full payment of the paper. In this respect, therefore, it is believed that the present case may be distinguished from the case above mentioned.

On the basis of the facts as outlined above, and without undertaking to approve specific forms of contracts, the Board has reached the following conclusions:

1. If the purchase price of the paper is credited to the dealer's account, the resulting credit obviously is a deposit against which reserves must be maintained.

2. The uncollected difference between the purchase price and the face amount of the paper is in practical effect a potential margin of security and does not constitute a deposit against which reserves must be maintained.

3. Where, however, an instalment payment has been received and a portion of such payment (say 90 per cent) has been credited against the purchase price and the remainder (say 10 per cent) has not been credited against the purchase price, the 90 per cent of the payment which has been applied against the purchase price does not constitute a deposit balance, but the remaining 10 per cent of the payment does constitute a deposit unless and until it is paid over to the dealer or applied against his indebtedness.

4. Whenever the payments received on any paper purchased aggregate an amount in excess of the purchase price plus interest or discount, any such excess which is not paid over to the dealer or credited against his indebtedness likewise constitutes a deposit against which reserves must be maintained.

Very truly yours,
(Signed) L. P. Bethea
L. P. Bethea,
Assistant Secretary.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-442

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 27, 1942

Dear Sir:

One of the Federal Reserve Banks has, with reference to letter S-411 of December 22, 1941, on the subject of exemption from the Federal transportation tax of Federal Reserve directors, officers and employees, raised the question whether, in view of the fact that the Bank reimburses the member of the Federal Advisory Council for his traveling expenses to and from Washington, such travel should be considered exempt from the Federal tax and the member supplied with Form F. R. 158.

The principle involved in exempting officers, employees and directors of Federal Reserve Banks from the transportation tax would seem to be equally applicable to a member of the Federal Advisory Council whose traveling expenses are reimbursed by a Federal Reserve Bank, and we know of no reason why a member of the Federal Advisory Council should not use Form F. R. 158 in obtaining exemption from the transportation tax in connection with travel performed in his official capacity.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-443

TELEGRAM

March 2, 1942

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

Under provisions of subsection (a) of Section 3 of Regulation D, as revised effective February 28, Board approves weekly reserve computation period ending on Friday for all central reserve and reserve city banks.

(Signed) Chester Morrill

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S-444
Reg.W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

March 4, 1942

W-128. If a lender who has made a loan secured by a first mortgage makes another loan to the same borrower secured by another mortgage on the same property, and if there are no intervening liens, the second mortgage is a "first lien" within the meaning of section 6(a), as long as both notes are held by the same lender.

This supersedes Interpretation W-30.

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BOARD OF GOVERNORS
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FEDERAL RESERVE SYSTEM
WASHINGTON

S-445
Sec. 5204, R.S.-2

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 5, 1942

Dear Sir:

While we understand that your Bank receives copies of the Bulletin of the Comptroller of the Currency, we wish to call attention to a ruling published in the issue dated August 15, 1941, which relates to the interpretation of section 5204 of the Revised Statutes of the United States and supersedes a ruling transmitted with the Board's letter X-9306 dated September 4, 1935 (F.R.L.S. #7400).

Although section 5204 relates by its terms to national banks, it is, of course, made applicable to State member banks by the provisions of section 9 of the Federal Reserve Act requiring such banks to conform to the provisions of law governing national banks which relate to the withdrawal of capital and the payment of unearned dividends.

A copy of the ruling is enclosed herewith. However, in its use, it should be borne in mind that the Bulletin of the Comptroller of the Currency is distributed only to national bank examiners and others engaged in the administration of the national banking laws for their confidential information and guidance and is never to be quoted directly to others.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-445
Sec. 5204, R.S.-2

STATUTORY BAD DEBTS

The following discussion sets forth the general policy of the office with regard to the interpretation and application of section 5204 U.S.R.S., which reads as follows:

> "No association, or any member thereof, shall, during the time it shall continue its banking operations, withdraw, or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. If losses have at any time been sustained by any such association, equal to or exceeding its undivided profits then on hand, no dividend shall be made; and no dividend shall ever be made by any association, while it continues its banking operations, to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due to any association, on which interest is past due and unpaid for a period of six months, unless the same are well secured, and in process of collection, shall be considered bad debts within the meaning of this section. But nothing in this section shall prevent the reduction of the capital stock of the association under section fifty-one hundred and forty-three."

In any consideration of the scope of the statute, it must be borne in mind that the law was enacted for the purpose of preserving sound capital and establishing a standard for determining the amount of undivided profits which a bank has available for the payment of dividends.

Inasmuch as the statute prohibits any encroachment on the capital of a national bank through the payment of dividends, it is the duty of the directors of a national bank, before declaring a dividend, to ascertain that the amount thereof does not exceed the bank's undivided profits on hand after deduction of all losses and bad debts.

Congress has seen fit to specify a particular class of debts which experience has shown to involve considerable danger of loss as one group which must be included in the "losses and bad debts" taken into consideration in calculating the amount of profits available for dividends, i.e., "All debts due to any association, on which interest is past due and unpaid for a period of six months, unless the same are well secured, and in process of collection." This specification was not designed to exclude other classes of "bad" debts, but merely to make certain that this particular class was included. However, since most of the questions which are presented to this office by both banks and examiners relate to the interpretation of the language used in specifying this particular class, we deem it appropriate to spell out the position of this office with respect thereto.

The term "all debts" due to any association is unlimited by any words which would indicate an intention to have it applicable only to loans

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and not to investments. There is no collateral evidence to indicate that Congress intended that that term should have a limited meaning and therefore although in the recent past there has been a tendency to confine it to loans, the position of this office is that it applies to every indebtedness owing to a bank, whether in the form of ordinary loans made by the bank, or in the form of investment securities owned by it, or otherwise.

The term "debts due to" as used in the above quoted sentence has been interpreted as meaning debts which have matured, and as a result an obligation is not a statutory bad debt until it has matured and the principal amount thereof is due and payable. In this connection, however, it should be borne in mind that frequently the terms of the contract are such that the maturity date of a debt is accelerated to an earlier date by the debtor's failure to perform his obligations with respect to payment of interest, etc. Ordinarily the provisions of the note, mortgage, trust indenture, or other controlling instrument govern the acceleration. However, in some cases statutory law may have an effect thereon. In view of the necessity of construing the particular statute in such cases, general comments cannot be made in connection therewith. When such acceleration occurs, whether by virtue of contract or law, the effect is the same as though the regular maturity date specified in the note or bond had been reached, and the obligation is a statutory bad debt as soon as "interest is past due and unpaid for a period of six months", subject to the other conditions of the statute. However, all or part of the six months' period might have run before the debt matured.

With respect to obligations held by a bank which are payable in periodic installments, it is our position that when interest thereon is past due for six months, the obligation is a statutory bad debt, subject to the other conditions of the statute, to the extent that payments of principal are in default. In connection with demand loans, they become overdue only after a reasonable time for payment has elapsed. What constitutes a reasonable time depends upon all the circumstances of each particular case. However, in view of the uncertainty as to what will be construed as a "reasonable time", this office takes the position that for the purposes of section 5204, supra, demand paper is considered as matured immediately upon delivery, and as a result, demand notes which are six months or more behind schedule on interest payments constitute statutory bad debts unless they are both well secured and in process of collection.

The term "well secured" has been construed literally. In order to be "well secured" a loan must be secured by collateral in the form of mortgages or pledges of, or liens on, real or personal property, including securities, having a realizable value sufficient to discharge the debt in full. The security contemplated by the statute is tangible property, and cannot be satisfied by endorsements, however numerous or strong. In this last aspect we are overruling some decisions which have been made by this office with respect to particular cases, wherein it was held that an endorsement by a responsible person was sufficient security to take a debt out of the category

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of statutory bad debts.

In the case of claims against bankrupts or decedents' estates, other than instances where an obligation is secured by a specific contract or judgment lien, a debt is considered well secured only in the event: (1) the claims of the bank against the estate have been filed; (2) the statutory period for filing claims has expired, thus prohibiting the filing of any additional claims; and (3) the assets of the estate available for the payment of claims are adequate to discharge all obligations to creditors in full with interest.

The requirement that a defaulted debt even though well secured must be "in process of collection" in order to be removed from the category of statutory bad debts is absolute in its nature and is not satisfied unless collection of the particular debt is proceeding in due course. Ordinarily the most appropriate procedure for eliminating such debts from the "bad debt" classification is the initiation of proper legal steps for the collection thereof. However, merely obtaining a judgment against the debtor is not sufficient. The bank must be currently active in enforcing the judgment. A debt may sometimes be found to be in process of collection even though legal steps have not been taken where as a result of an active and concentrated effort by the bank, such substantial collections are being made as will speedily relieve the debt of its delinquent status.

When a debtor has been adjudicated bankrupt or has died and his estate subjected to administration, it is ofttimes impossible for a creditor to do more than file a claim with the trustee or administrator thereof and have it approved. In such cases, if a creditor has done all that he can through legal steps or otherwise to have his claim allowed and approved, the debt will be considered by this office as being in "process of collection", although it will still be a bad debt if it is not "well secured" in the sense outlined above. You will note that in this class of cases the property of the debtor or his estate has been taken over by judicial or quasi-judicial officer or agency for purposes of liquidation and distribution. Point is made of this fact because it is a distinguishing factor between cases which fall in this category and those which are discussed in the next paragraph.

Recently many questions have arisen with respect to loans which are within a moratorium law of a state, or a foreign country in which the debtor resides or carries on business. The most frequent situation of this class is that in which no debt covered by the particular moratorium can be sued upon or otherwise enforced, either before or after its maturity date, provided that interest thereon is paid at the contractual rate or at a lower rate fixed by the statute. In such cases, the debtor is not prohibited from discharging the debt at maturity (or paying interest at the contractual rate), but is merely given the opportunity at his election to postpone such payments. It is the position of this office that in such circumstances a

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loan is in default if the borrower elects to avail himself of the moratorium. It is true that banks are not in a position to pursue debts covered by state or foreign moratoria laws; nevertheless, the statute requires classification of defaulted loans as "bad debts", and we think properly, unless they are actually in process of collection and well secured. This position is not applicable to well secured loans which are subject to a moratorium created by federal law, as distinguished from the law of a state or foreign country (for example, F.H.A.-insured mortgage loans which may not be enforced during the debtor's military service under the Selective Service Act, by virtue of the provisions of federal law known as the Soldiers' and Sailors' Civil Relief Act of 1940), because such federal statutes are subject to the construction that they in effect modify the statutory bad debt provision of the National Bank Act, whereas a state or foreign government does not have the power to modify or alter a provision of the National Bank Act.

Although the foregoing does not completely cover the field of statutory bad debts, we believe most questions arising in connection therewith can be answered by an application of the general principles set forth herein and by bearing in mind that the purpose of section 5204, supra, is to assure preservation of sound capital. This purpose, and the ultimate welfare of all parties in interest, can best be achieved by a conservative attitude on the part of examiners in this respect, so that loans and other obligations of doubtful strength will be adequately provided for before any assets of a national bank are distributed in the form of dividends.

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

March 5, 1942

W-129. Amendment No. 3 to Regulation W will affect certain interpretations previously issued by the Board, and the following comments will be pertinent to the interpretations indicated, beginning March 23, 1942:

W-4, W-73, W-76 and W-88 will be obsolete.

W-55 will be obsolete only to the extent that it refers to "Items 1 through 4 of Part 3(a) of the Supplement."

W-69. This interpretation relates to the provisions contained in section 6(j) before amendment.

W-84. Paragraph numbered 4 will be obsolete.

W-90 will be obsolete only to the extent that it refers to the old provision "seven heating surfaces" instead of the new provision "designed for household use."

W-115. Superseded by amendment in Option 1 of section 8(b).

W-10. Note new provisions in Supplement regarding suction cleaners.

W-14. Note that clocks are now listed in Group C in the Supplement.

W-17. Note that silverware is now listed in Group C in the Supplement.

W-38, W-43, W-49, W-52, W-56, W-63, W-70, W-95, W-102. Note changes in maximum maturities in Supplement.

W-63 and W-77. Note Part 3(b) of Supplement, as amended.

W-71 and W-116. Note new provisions in Supplement regarding radios.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-447

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 5, 1942

Dear Sir:

This is with reference to the plan outlined in the Board's letter of February 4, R-957, for the Reserve System's taking over the collection of certain current consumer credit statistics which heretofore have been compiled by the American Bankers Association. This letter is to complete plans and instructions for this project.

The Board's letter requested each Reserve Bank to compile from registration statements a list of commercial banks which had sufficient total consumer instalment loans to represent one-half of such volume for its district. You were promised, and there is herewith enclosed, a copy of the American Bankers Association mailing list of reporting banks located in your district. From this list and from the list compiled by you, you are to select the banks from which reports will be requested, subject to the following general suggestions:

> It is suggested that, in general, each Reserve Bank request reports from about the same number of banks as is now on the American Bankers Association list. In any district in which this number does not provide an adequate sample to reflect local trends such additional reports as are necessary should be obtained. In general it would be desirable for the Reserve Banks to continue with the banks now on the American Bankers Association mailing list; nevertheless, if the total coverage can be increased substantially by substituting some banks with large amounts of instalment receivables not now reporting for some smaller ones that are now reporting, that should be done. It is not necessary that the sample cover exactly one-half of total instalment receivables for all banks in the district. In districts including several large cities with a few banks having relatively large amounts of instalment receivables, a somewhat larger proportion may be desirable

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and can probably be obtained by including only banks with instalment receivables of $1,000,000 or more. In districts where the business is scattered among a large number of banks a smaller proportion than 50 per cent may be adequate. A bank which engages in only one kind of consumer credit business, such as purchasing mail order house paper or in making direct consumer loans, does not need to be excluded as "unrepresentative".

In compiling the final list, reports should be requested only from member commercial banks. Industrial or Morris Plan banks, even though they may be national or State member banks, should not be included, as they are already covered by Department of Commerce reports.

As indicated in the letter of February 4, the data to be requested are the volume of loans during the month and the amount outstanding at the end of the month for the same items listed in the A-1 supplement to the December 1941 condition report. This form is almost identical with that previously used by the American Bankers Association. A suggested form of the report is attached. The Board will furnish a supply of these forms to any Reserve Bank requesting them.

The American Bankers Association has collected January reports and the System will collect them for February and thereafter. Suggested drafts of letters to member banks are attached, which you may use if you wish. The initial requests should be dispatched as soon as possible. The returns may be tabulated by the Reserve Banks and submitted to the Board on a standard form, a copy of which is attached. These tabulations should be addressed to the Division of Research and Statistics and, if possible, should reach the Board by March 25. In following months it is hoped that this date of submission can be advanced to sometime between the 10th and the 15th of the month.

This form requests figures on outstandings of the reporting banks as of December 31, 1941, which are to be compiled from the A-1 schedule attached to the December 1941 condition report. It will probably be necessary to revise this outstanding figure each month to include only those banks that submit reports that month. It should also be noted that the form calls for figures on volume of loans made in the month and current volume made in the previous month (columns 4 and 5) by an identical group of banks, which may not correspond to the group reporting the figure for volume of loans shown in column 3. These two sets of figures are to provide comparisons with an unchanging base date, as well as from month to month, and will aid in making estimates of changes in total instalment loans for all banks. After some experience with this reporting system, it may be possible to

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include only identical reporting banks from month to month, but during the early stages allowance must be made for some variations.

Further correspondence regarding details of this project may be addressed to the attention of Woodlief Thomas, Assistant Director of the Division of Research and Statistics.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosures
(ABA mailing list and forms for report
sent with addressed copies only.)

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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SUGGESTED LETTER OF TRANSMITTAL TO BANKS WHO HAVE BEEN REPORTING TO THE AMERICAN BANKERS ASSOCIATION

Dear Mr. _____:

It is our understanding that you have been reporting consumer instalment credit volume and outstandings to the Consumer Credit Department of the American Bankers Association. In view of the Reserve System's responsibility in connection with the regulation of consumer credit, it is desirable that we have as prompt and as accurate information as is possible with respect to current developments in this field, and an arrangement has been made with the American Bankers Association by which the Board of Governors will take over the task of collecting the current statistics from banks. Enclosed are report forms for the month of February, which you are requested to fill out and return to this Federal Reserve Bank.

The Consumer Credit Department of the American Bankers Association, as it may already have notified you, would like to continue to receive your individual reports. If you will fill out the forms in duplicate and authorize us, by signing the attached form, to transmit one of the copies to the American Bankers Association, we shall be glad to do so and thus avoid duplicate inquiries.

Because we recognize the pressure to which banks are subject at this time and do not wish to increase their burden, we are continuing the report along the lines followed in the prior American Bankers Association schedule, with minor amendments to correspond to the form used in the A-1 supplements which are submitted with the condition reports.

Your reports will be treated confidentially, of course, and you will be furnished with the releases based on the data collected.

Very truly yours,

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S-447-b

SUGGESTED LETTER OF TRANSMITTAL TO BANKS
NOT ON AMERICAN BANKERS ASSOCIATION LIST

Dear Mr. _____:

For some time now the Consumer Credit Division of the American Bankers Association has been collecting current reports on the volume and outstandings of consumer instalment credit in commercial banks. These reports have been collected from a comparatively small group including in general the more important banks in this field. In view of the Reserve System's responsibility in connection with the regulation of consumer credit, it is desirable that we have as prompt and as accurate information as is possible with respect to current developments in this field and an arrangement has been made with the American Bankers Association by which the Board of Governors will take over the task of collecting the current statistics from banks. In general figures will be collected from the same banks that have been reporting to the American Bankers Association in the past, but in order to improve the value of this series, a few other member banks are being requested to report.

Our records indicate that your bank holds a substantial volume of consumer instalment loans, and accordingly current reports from you would add appreciably to our coverage. Copies of the report forms for the month of February are enclosed. Because we recognize the pressure to which banks are subject at this time and do not wish to increase their burden, we are continuing the report along the lines followed in the prior American Bankers Association schedule, with minor amendments to correspond to the A-1 supplements which are submitted with the condition reports.

The Consumer Credit Division of the American Bankers Association is interested in receiving the individual bank reports and is requesting the banks which formerly reported to it to authorize the Reserve Banks to transmit duplicate copies of the reports to that division. The Association would also like to have copies of the reports of such banks as are added to the current reporting group. If you are willing to have your individual report passed along to the American Bankers Association please fill out and return to us the attached form of authorization. If this is done please send us two copies of the report each month. These arrangements are being made so as to avoid duplicate inquiries to individual banks.

Your reports will be treated confidentially, of course, and you will be furnished with the releases based on the data enclosed.

Very truly yours,

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S-447-c

FORM

This is to authorize the Federal Reserve Bank of _____ to forward a copy of each monthly report of consumer instalment credit of the _____ Bank, as received, to the Consumer Credit Division of the American Bankers Association.

_____
Officer

NOTICE: This authorization may be rescinded at any time by giving notice to the Federal Reserve Bank of _____.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-448

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 6, 1942

Dear Sir:

As indicated in the special notice appearing in the January 1942 Par List, certain changes have been made in the form of the publication and, unless changes are more numerous than in the recent past, it will be printed annually instead of semi-annually.

In view of these changes and in order to standardize the form of the data submitted for the monthly supplements, it will be appreciated if the enclosed revised instructions are followed in reporting data for the Par List. These instructions supersede those contained in letters X-7070 and S-2 (Loose Leaf Service #4383 and #4384, respectively).

Very truly yours,

E. L. Smead

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

Enclosure

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

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DATA FOR THE ANNUAL PAR LIST AND THE MONTHLY SUPPLEMENTS THERETO
(Revised March 1942)

ANNUAL PAR LIST

1. Mail preliminary data for annual Par List to Board in time to reach Washington by December 28. Show changes in red (pencil or typewriter) on a copy of the District's portion of current Par List.

2. Wire additional changes through the end of December to Board on the first business day of January. If there are no additional changes, wire "no further changes in Par List".

MONTHLY SUPPLEMENTS

1. Mail preliminary data for monthly supplements to Board in time to reach Washington by the 28th day of each month.

    a. Submit data for February supplement in form in which changes are to be published; use previous supplements as a style guide.

    b. Submit data for other supplements on a copy of latest printed supplement; show changes in red (pencil or typewriter) in form in which they are to be published.

2. Wire additional changes through the end of the month to Board on the first business day of following month. If there are no additional changes, wire "no further changes in Par List".

3. Check data submitted to be sure that—

    a. All necessary symbols (district numbers, etc.) are included.

    b. Changes are made in State headnotes in cases where additions to or eliminations from the Par List render previous headnotes inappropriate.

    c. Special attention is called to cases where changes to be made in one supplement reverse or otherwise alter changes in a previous supplement.

4. Only one copy of data for monthly supplements need be sent to the Board.

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BOARD OF GOVERNORS
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WASHINGTON

S-449

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 10, 1942

Dear Sir:

Reports of bank and branch changes are now being made weekly on form F.R. 412 in accordance with the Board's letter S-229 of October 5, 1940 (Loose-Leaf Service #3948). In view of the increasing demands of the war effort on time and supplies, it is believed that monthly reports of such changes will suffice for the Board's purposes. Accordingly, please defer the next report on form F.R. 412 so as to include changes through March 31. Thereafter, please prepare the reports on a calendar month basis and show therein all changes which have come to your attention during the preceding month. The reports should be submitted as promptly as practicable after the end of the month. It is suggested that they be addressed to the Board's Division of Bank Operations and signed by the officer or clerk responsible. If this procedure is followed, no letter of transmittal need accompany the report.

When the existing supply of form F.R. 412 is exhausted, the form will be revised to have the date line read—"Month ended _____" instead of—"Week ended Wednesday _____". In the meantime it is suggested that you use your present stock and make the necessary change by typewriter.

Please continue to give the current wire advices requested in the second paragraph of the Board's letter S-229.

Very truly yours,

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

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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BOARD OF GOVERNORS
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WASHINGTON

S-450
ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 21, 1942

Dear Sir:

There is enclosed a copy of a letter, dated March 11, 1942, from the Director of the Mint requesting the cooperation of the Federal Reserve System in the return of empty coin bags, together with a copy of the Board's reply. Your continued cooperation in this matter will, of course, be appreciated.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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TREASURY DEPARTMENT
Washington

March 11, 1942

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

Gentlemen:

The United States Mint Establishment is requesting the cooperation of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks and Branch Banks of the Country, as a part of the war effort, by returning to the coinage Mints empty coin bags as they accumulate from time to time.

This request has become necessary by reason of the fact that we are no longer able to procure heavy twill of the type heretofore used, due to the rejection by the Priorities Board of our requests, with the explanation that the "total supply of cotton twill is needed by the armed forces". This rejection was made early in February 1942, and upon appeal was repeated early in March.

As you are aware, there is real need for stout containers to guard against loss of coin in transit, and it is believed that many of the bags which have been previously used could be returned to the Mints at small cost, and again serve a useful purpose in connection with subsequent shipments. It seems probable that associate banks would cooperate in surrendering their bags to the Reserve Banks and Branches for return to the coinage Mint from which shipped.

It is proposed that lots of bags be shipped by freight, on Government bills of lading, and that the bills of the carriers will be rendered to the Director of the Mint in Washington. In issuing bills of lading, the space near the top thereof should be filled in to show that the carrier's bills should be rendered to the Director of the Mint, Washington, and that the transportation costs will be chargeable to the appropriation Salaries and Expenses, Mints and Assay Offices. It is understood that some (possibly all) of the Federal Reserve Banks and Branches have Government bill-of-lading forms on hand. If not, the Director of the Mint will be glad to supply same upon request. In making request, the approximate quantity needed should be indicated.

If this proposal meets with your approval we will be glad to take such steps as will be of assistance in inaugurating the activity.

The cooperation of the Banking System in this respect will be much appreciated by the Mint Establishment and will be helpful, as indicated above, as part of the war effort.

Very truly yours,

(Signed) Nellie Tayloe Ross

Director of the Mint.

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S-450-b

March 21, 1942.

Hon. Nellie Tayloe Ross,
Director of the Mint,
Treasury Department,
Washington, D. C.

Dear Mrs. Ross:

Reference is made to your letter of March 11, 1942, requesting the cooperation of the Federal Reserve System, as part of the war effort, in returning to the coinage mints empty coin bags as they accumulate from time to time.

A copy of your letter is being sent to all Federal Reserve Banks and we are sure that they will continue to cooperate with your office in this matter to the fullest extent. Incidentally, a number of Reserve Banks forwarded circulars to their member banks regarding the return of empty coin bags after receiving Mr. Julian's letter of February 23, 1942, requesting advice as to what might be done in the matter of recovering coin bags from member banks and other financial institutions.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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S-451
Reg. T-96

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

March 23, 1942

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

Dear Mr. _____:

Reference is made to your letter of March 12, 1942, regarding the question presented by Mr. _____, Counsel for the New York _____, regarding section 4(f)(4) of Regulation T.

Section 4(f)(4) provides that in a special miscellaneous account a member of a national securities exchange may "effect and finance, for any joint adventure in which the creditor participates, any transactions in any securities of an issue with respect to which all participants, or all participants other than the creditor, are registered and act on a national securities exchange as odd-lot dealer." Mr. _____ states that from time to time during the war they have cases in which a participant in such a joint account who is "registered and acts" as odd-lot dealer in the specified securities will enter the armed forces of the United States. This presents the question whether during the period of his service in such forces--when he necessarily is absent from the floor of the exchange--he can be said to be "acting" as an odd-lot dealer. If he is not considered to be so "acting", it will be necessary for the creditor to cease carrying the account or for the odd-lot dealer to discontinue his membership in the joint account and lose any income therefrom.

As you indicate, the question is not free from doubt. However, it is the view of the Board that if the odd-lot dealer has been acting as such for a reasonable period of time prior to his entry into the armed forces, his absence from the floor of the exchange while in such service may be considered to be due to extraordinary circumstances and, all things considered, he may still be considered to be "acting" as an odd-lot dealer within the meaning of section 4(f)(4).

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-452

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1942

Dear Sir:

All twelve Federal Reserve Banks have indicated their approval of the proposal, contained in the Board's letter of January 23, to discontinue the reporting of bank debits on a weekly basis and to substitute monthly reports for the present weekly ones. It has therefore been decided to adopt the proposal, and the following announcement to that effect will be inserted in the next weekly debits statement released by the Board:

> Beginning with the month of May, only monthly bank debits figures will be collected by the Board; weekly bank debits statements will be discontinued after issuance of the statement covering the week ending May 6. The monthly figures, which are available from the beginning of 1919, are more significant than the weekly figures for most purposes, since they smooth out wide weekly variations.

Some of the Reserve Banks suggested, in response to the Board's letter of January 23, a number of centers for addition to the list of reporting centers in their respective districts when the shift to a monthly basis is made. These and other suggestions were reviewed and compared with the results of an independent study made at the Board's offices. Account was taken of the population and recent growth of the centers considered for addition, the amount of bank deposits, the location of the centers in relation to those now reporting, and the relative adequacy with which present reporting centers represent the population, deposits, and economic activity of the States and districts in which they are located.

It has been decided that under present circumstances it would not be desirable to add very many centers to the list of those now reporting, but an average of four centers per district have been selected for addition, provided that this can be done with the full cooperation of the banks located in such centers.

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Accordingly, you will be informed in a separate letter which of new centers proposed and approved for addition are located in your district, and it is suggested that you invite the banks in these centers to report debits monthly, beginning with May, either directly or through the local clearing house, as appears most appropriate and convenient to you. No special effort need be made to obtain the figures, however, if there is any resistance on the part of the banks to submitting the reports.

On the basis of reports prepared by the Reserve Banks, it has been found that in the case of about 20 reporting centers the banks that now report hold less than 90 per cent of the deposits of all commercial banks in the respective centers. It seems desirable, incident to the shift to a monthly basis, that an effort be made to improve the coverage in cases where it is incomplete if this can be done without inconvenience. It is suggested, therefore, that you endeavor to obtain reports beginning with May from the more important nonreporting banks located in reporting centers. In the case of very small banks, of course, inclusion or exclusion is not a matter of importance, but there is no objection to inviting all nonreporting banks in the centers that are included, either directly or through the clearing house, to report regularly. Please advise the Board which, if any, additional banks in your district are covered by the first monthly reports.

The proposed form of monthly report has been changed slightly from the draft attached to the Board's letter of January 23 and a copy of the revised draft is enclosed. The form will be printed, and it is expected that an initial supply will be sent to you in about two weeks. Arrangements for the shift to monthly reporting may then be made with the reporting agencies and banks and a supply of the form distributed to them. However, explicit instructions should be given that the period to be covered by the first report on the new form is the entire calendar month of May, and that weekly reports should continue to be submitted through the week ending May 6. If any banks indicate an unwillingness to report their end-of-month deposits, you may inform them that their debits reports will continue to be acceptable and that the reporting of deposits is not obligatory. It is not contemplated that any extensive changes in the agencies used in collecting the debits reports will be made, but in cases where the present reporting procedure has proved unsatisfactory or you have reason to believe that a change would result in improvement there is no objection to your seeking to bring about such change.

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When you have obtained the individual reports covering all debits-reporting banks in your district and inspected them for possible errors and inconsistencies, please prepare for transmission to the Board a transcript showing the month's debits and deposits for each individual bank, and each reporting center. If practicable, these data should be mailed to the Board's Division of Bank Operations in time to reach Washington by the eighth of the month following that to which the figures apply (air mail should, of course, be used where necessary). After the first two or three months, if experience indicates that the individual-bank figures are not particularly useful, you will be notified to send to the Board merely the totals for each reporting center.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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S-452-a

Form F. R.
March 1942

Report for
month of _____, 194__

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Bank and location

DEBITS TO DEPOSIT ACCOUNTS EXCEPT INTERBANK ACCOUNTS

Figures reported below should represent total debits or charges to all depositors' demand and time accounts, both government and private, except accounts of other banks and certified and officers' check accounts.

(If the reporting bank does not find it convenient to enter daily debits figures, only the monthly total need be shown. Any very unusual fluctuation of the bank's figures should be explained on the reverse side of this form.)

(Omit cents)

Day of month	Amount	Day of month	Amount
1	$	17	$
2		18	
3		19	
4		20	
5		21	
6		22	
7		23	
8		24	
9		25	
10		26	
11		27	
12		28	
13		29	
14		30	
15		31	
16			
Total debits for month		$	
Demand and time deposits at end of month, other than those to the credit of banks		$	

Signature

This report should be transmitted to the Federal Reserve Bank immediately after the end of the month, through the clearing house or other reporting agency (if any).

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

March 26, 1942

W-130. The Board has received several inquiries concerning the application of interpretation W-51 to the rating of coal stokers for purposes of Regulation W. The questions relate to the method of determining which stokers are included in the list of articles the credit sales of which are subject to the regulation.

Interpretation W-51 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.

How shall Registrants determine whether a particular model of coal stoker falls within the class described? The question to be answered is what the particular model was designed to do, that is, what heating requirements the manufacturer considers will be met by the model. The Registrant, therefore, must depend upon the rating made by the manufacturer rather than upon his own calculation of the net B.t.u. output based upon individual installations.

In the past, coal stokers have been rated by the manufacturers on the basis of the coal delivery rate, and it appears that a stoker rated as capable of delivering 45 pounds of coal per hour was recommended for installations where the maximum net output required was slightly less than 240,000 B.t.u. per hour and where average conditions existed. It should be noted that the maximum net output figure is a standard representing the heating capacity of a system of which the stoker is designed to be a part, it being assumed that the heating requirements are average, the equipment appropriate, and the coal of average heating value. Once the rating is determined for a particular model under average conditions, that rating is used in all cases for classifying the model for purposes of the regulation, and it does not matter that the conditions under which a given stoker is to be installed differ materially from the averages.

A special question relates to changes in models involving an increase in the coal delivery rate. A case has been brought to the attention of the Board in which a stoker formerly rated as a 30-pound stoker was altered by the addition of an attachment which brought the theoretical coal delivery rate up to 50 pounds per hour. Such a change would not conclusively change the status of the stoker under the regulation. The pound delivery rate has no significance in itself. It has been used, in the

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past, as indicative of the heating capacity of the stoker, but it cannot be so used unless the features of the stoker other than the coal delivery rate are appropriate to a stoker which is actually to be used at the given rate.

The problem, therefore, is whether, after a change of the kind described, it can be maintained in good faith that the stoker is designed for a heating load of more than 240,000 B.t.u. net output per hour under the average conditions mentioned above. In this connection it would have to be determined whether or not the other features of the converted stoker were such as to make it suitable and economic for the heavier heating requirements. Also, there would be a question as to the ability of the converted stoker over its normal life actually to deliver coal at the rate required of a 50-pound stoker. These are matters to be established by heating engineers, and up to the present time the Board has been willing to rely upon the judgment of the manufacturer in rating his products provided this judgment is exercised in good faith.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-454

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1942

Dear Sir:

Enclosed is a copy of a letter written to a Federal Reserve Bank answering certain questions presented by The Association of Life Insurance Presidents in connection with Regulation W.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT NEW YORK

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Federal Reserve Bank of St. Louis

March 26, 1942.

Mr. _____,
Assistant Vice President,
Federal Reserve Bank of ___,
_____, _____,

Dear Mr. _____:

Reference is made to your letter of February 24, 1942, regarding the questions presented by The Association of Life Insurance Presidents, _____, _____, as to whether life insurance companies are required to register under section 3(a) of Regulation W. These questions are discussed below, and a copy of this letter is being forwarded as an "S" letter to all Federal Reserve Banks in order that they may be in a position to make appropriate replies to any inquiries on the subject from insurance companies in various parts of the country.

1. Policy Loans.--Life insurance companies frequently make so-called "policy loans" in the amount of $1,500 or less on life insurance policies issued by them. It is understood that the provisions of the policies require the companies to make these loans, and to make them on the sole security of the policy. It is perhaps arguable whether the policyholder undertakes to repay the loan at all, but it is understood that he clearly does not undertake to repay the loan in instalments. On the basis of this understanding, it is the view of the Board that the making of such "policy loans" does not cause an insurance company to be "engaged in the business" described in section 3(a) and hence does not require the company to register.

2. Instalment Loans.--A great many of the loans made by life insurance companies are repayable on an instalment basis. An insurance company which regularly makes or accepts applications for, instalment loans of $1,500 or less (or instalment loans secured by recently purchased listed articles as specified in section 2(e)(2)) is engaged in the business of making extensions of instalment loan credit and is required to register pursuant to section 3(a). On the other hand, if a company does not make, or hold itself out as being prepared to receive applications for, any such instalment loans, it would not have to register unless there were some other facts that brought it under the requirement.

It is understood that there are also some insurance companies that do not clearly fall within either of the descriptions in the preceding paragraph. They do not regularly make, and do not hold themselves out as being prepared to receive applications for, any instalment loans secured by recently purchased listed articles or any instalment loans of $1,500 or less, but they nevertheless make one or two such loans in isolated instances on infrequent occasions.

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In general, and in the absence of other facts, a company would not be "engaged in the business" unless it makes such loans with at least some degree of repetition or holds itself out as being prepared to receive applications for such loans. For example, the inquiry states that one such insurance company which does not hold itself out as prepared to receive any applications for any such loans has made two instalment loans of $1,500 or less in the past 20 years. Assuming that these two loans were made as isolated instances, they would not cause the company to be "engaged in the business" described in section 3(a). The question whether a particular company is "engaged in the business" by virtue of having made certain of such loans must, of course, depend upon all the relevant facts of the individual case.

3. Advances for Taxes and Insurance Premiums under Mortgage Loans.--Frequently a provision of a first mortgage authorizes the holder of the mortgage to pay taxes and insurance premiums on the property when the mortgagor fails to pay them, and provides further that the amount of such payments shall be a first lien on the premises and become a part of the sum secured by the mortgage. Life insurance companies from time to time make payments pursuant to such provisions. The fact that such advances are exempted as a part of the first mortgage under section 6(a) and W-128 would not prevent them from requiring the company to register. However, it is the view of the Board that the payment of taxes and insurance premiums in these circumstances does not cause an insurance company to be "engaged in the business" described in section 3(a) even though such supplemental advances are repayable in instalments and are in the amount of $1,500 or less.

4. Partially Repaid Loans.--An instalment loan which is made in good faith in excess of $1,500, and is not secured by a recently purchased listed article as described in section 2(e)(2), does not become subject to the regulation when the outstanding amount of the loan is reduced to $1,500 or less. Hence, the fact that an insurance company has on its books many such loans which were originally made in amounts exceeding $1,500 but which have been paid down to $1,500 or less does not cause the insurance company to be "engaged in the business" described in section 3(a).

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-455

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 27, 1942.

Dear Sir:

Questions have been received regarding the effect of Amendment No. 3 to Regulation W, effective March 23, 1942, on a bona fide commitment made before that date to make a sale or loan after that date on terms that were permitted at the time of the commitment but are not permitted under the terms of the amendment.

This may be illustrated by a bona fide commitment made before March 23 to install a particular furnace on a 15% down payment. After that date the requirement is 20%, but if there is a valid contract, made before March 23, to grant the credit on a 15% down payment, this contract may be carried out. The same principle applies if the commitment relates to an article added to the list by the amendment.

However, as indicated in W-12 which discussed commitments made before September 1, 1941, in any such case there must actually be a valid contract and not merely the form or appearance of a contract. The principles stated in that interpretation should be consulted in this connection. If the requirements stated in W-12 are met, it would not alter the case that the commitment is accompanied by a form of "lay-away" or partial prepayment plan.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY UNITED STATES DEFENSE BONDS STAMPS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-456

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 27, 1942

Dear Sir:

Questions have been received regarding instalment obligations created before the effective date of Amendment No. 3 to Regulation W and the extent to which a creditor may revise the terms of such an obligation, extending its maturity, without requiring a Statement of Necessity. The applicable rule in such cases depends on whether the obligation was or was not subject to the regulation when it was created.

In the case of a revision of an obligation that was subject to the regulation before March 23, 1942, the effective date of Amendment No. 3, the rule is stated in section 8(a), that is, the revision may not change the terms to any which would not have been "permitted in the first instance" for the credit. For example, if an automobile was sold with a 12 months' maturity in December 1941 when 18 months was permissible, it could be revised even after March 23 1942 to increase the maturity by six months, since this would still result in a maturity of only 18 months as permitted in the first instance.

To determine the applicable rule for the revision after March 23, 1942 of an instalment obligation growing out of the sale before that date of an article added to the list by the amendment, section 8(a) must be read in connection with the last part of the paragraph added to section 9(d) by the amendment. When read together these state that in such a case the obligation may not be revised to terms which, when reckoned from the date of the sale, would not be permitted under the amendment. For example, suppose a watch was sold with a 12 months' maturity in December 1941 when the transaction was not subject to the regulation. If the obligation is revised after March 23, 1942 when watches have become listed articles, the maturity may be increased by only three months since this would result in a total maturity of 15 months, the longest permitted under the amendment for such credit.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

FOR VICTORY
BUY
UNITED
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DEFENSE
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STAMPS

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Federal Reserve Bank of St. Louis

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-457
Reg.W

CORRECTED COPY

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

March 31, 1942

W-131. The classification "still cameras" in Group C-15 of the Supplement does not include photographic equipment used for photoengraving or lithographing purposes.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-458

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 1, 1942.

Dear Sir:

There is enclosed for your information a copy of a statement issued by the Department of State regarding the procedure to be followed in extending financial assistance to American nationals in territories where the interests of the United States are represented by Switzerland.

In the event your bank should be called upon to give any advice concerning this matter, you are authorized to say that the State Department prefers that any action to provide financial assistance to American nationals in territories where the interests of the United States are represented by Switzerland, be initiated by the person seeking such assistance or by near relatives located in this country. We are advised that Swiss representatives located in such enemy territories have been asked to contact citizens of the United States living in such territories and advise them of the substance of the enclosed statement.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
DEFENSE
BONDS
STAMPS

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Federal Reserve Bank of St. Louis

PROCEDURE TO BE FOLLOWED IN EXTENDING FINANCIAL ASSISTANCE TO AMERICAN NATIONALS IN TERRITORIES WHERE THE INTERESTS OF THE UNITED STATES ARE REPRESENTED BY SWITZERLAND

The Department of State has completed arrangements for financial assistance to American nationals in territories where the interests of the United States are represented by Switzerland.* Those able to qualify for such assistance will be entitled to receive from the Swiss representatives monthly payments corresponding to their established needs and the prevailing cost of living in the country concerned. All recipients will be limited to the monthly payments established for their place of residence, regardless of their ability or the ability of others interested in their welfare to repay amounts greater than the sums advanced. It is realized that a limitation upon the amount that American nationals may expend in enemy territory, even from their own resources, will entail some hardship. The conservation of foreign exchange, however, is an essential factor in the present economic policy of the United States and it is expected that Americans everywhere will willingly share with those in the armed forces the sacrifices that must be made in winning the war.

Based upon the latest ascertained cost of living in the various countries concerned, the maximum monthly payment for the head of a household will range from $60 to $80, with smaller allowances for additional members of the household. The monthly payments are subject to revision from time to time to meet changing living costs. In addition, the Swiss representatives are authorized to make special advances for such extraordinary expenditures as may be essential to the health or safety of American nationals for medical, surgical, or dental care, for hospitalization, for reasonable legal defense against political or criminal charges, or for a decent though modest burial where such is not provided by friends or relatives locally nor by the local authorities.

Wherever prisoners of war and interned civilians are supported by the detaining Power, it is expected that payments made to them will generally not exceed a small sum sufficient to provide spending money for miscellaneous personal needs not supplied by the detaining Power. However, no payments will be made to officers or to persons of equivalent status held as prisoners of war, who receive pay under the convention relative to the treatment of prisoners of war, signed at Geneva on July 27, 1929.

Aliens, including alien spouses and alien children of American nationals, cannot qualify for payments from funds of the United States Government.

Swiss representatives charged with the representation of the interests of the United States will explain to the recipients that such financial assistance should not be considered as public bounty but as loans from public funds to American nationals finding themselves in an abnormal position by reason of the war.

---

*Switzerland represents the interests of the United States in Germany, Italy, and Japan, in territories occupied by those countries, and in Bulgaria, Hungary, and Rumania.

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Federal Reserve Bank of St. Louis

It is accordingly expected that all sums advanced will be repaid either by the recipients themselves or by relatives, friends, business associates, employers, or legal representatives in the United States.

Receipts embodying promises to repay without interest the sums advanced will be taken for all payments. Private deposits to reimburse the Government for sums advanced should be made with the Department of State. Persons wishing to make such deposits should indicate the names of the beneficiaries and should remit by postal money orders or certified checks payable to "The Secretary of State of the United States".

The above arrangements do not apply to the Philippine Islands.

Department of State,

Washington, March 10, 1942.

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Federal Reserve Bank of St. Louis

S-459
Reg. T-97

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

April 1, 1942

Mr. _____,
_____,
_____,
Atlanta, Georgia.

Dear Mr. _____:

Reference is made to your letter of March 11, 1942 regarding the question whether a member firm of the New York Stock Exchange may extend credit to a general partner of the firm for the purpose of enabling the partner to make a contribution of capital to the firm, and whether if such a loan is made it may be secured partly by securities that are not registered on any national securities exchange.

For your information there is enclosed a copy of Regulation T which relates to this subject, and you will find that section 4(f)(2) of the regulation on page 9 deals particularly with the point. It is the view of the Board that a loan of the kind described is permitted under section 4(f)(2)(B) with the approval of an appropriate committee of a national securities exchange, or is permitted under section 4(f)(2)(A) without the necessity for such approval. If the loan is made under either provision there is no requirement as to how the loan must be secured, or whether it must be secured at all, except that in the case of a loan under section 4(f)(2)(B) there must, of course, be compliance with any requirements imposed by the committee as a condition to its approval.

You will note from the inside cover page of the regulation that it is suggested that any inquiry relating to the regulation should be addressed to a national securities exchange of which the person making the inquiry is a member or, if this is not practicable, that it should be addressed to the Federal Reserve Bank of the district in which the inquiry arises. Accordingly, if you should have any further question with respect to the matter, it is suggested that you communicate with either the New York Stock Exchange or the Federal Reserve Bank of Atlanta.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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Federal Reserve Bank of St. Louis

S-460
Reg.W

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

April 16, 1942

W-132. The classification "floor coverings" includes, rubber, asphalt, cork, plastic, and other similar floor tile, but does not include ceramic, terrazzo, or other similar floor tile.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-461

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 17, 1942

Dear Sir:

Effective with the call for reports of condition of State bank members as of April 4, 1942, the published statements of State bank members and their affiliates submitted on Forms F. R. 105e and 220a, respectively, should be examined and filed at your Bank. This supersedes in part the instructions contained in the memorandum accompanying the Board's letter of December 22, 1938 (S-136), which required such reports to be forwarded to the Board.

Any differences found between such statements and the reports on Forms F. R. 105 and 220 should be called to the attention of the banks concerned. If there are important differences, which in your opinion might warrant republication, the pertinent information should be forwarded to the Board with your recommendation.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
DEFENSE
BONDS
STAMPS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-462

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1942

Dear Sir:

There is enclosed for your information a copy of a letter addressed by the Board to the Vice President of a Federal Reserve Bank under date of April 17, 1942 regarding certain questions of procedure in connection with the execution of guarantees and the making of loans pursuant to authorizations given by the War Department under Executive Order No. 9112. The procedure described in this letter will of course be adopted with respect to all Federal Reserve Banks.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

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Federal Reserve Bank of St. Louis

S-462-a

April 17, 1942

Mr. _____, Vice President and Secretary,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your wire of April 16, 1942, raising certain questions with respect to authorizations given by the War Department in connection with the execution of guarantees, the making of loans, etc., under Executive Order No. 9112.

With respect to your question regarding the authenticity of authorizations for the execution of guarantees which are sent out over the Leased Wire System, the following procedure will be adopted. As we have previously advised you, the War Department has furnished us with specimen signatures of those officers who were designated in Brigadier General Styer's memorandum of April 6, 1942, as financial contracting officers with authority to authorize the execution of guarantees, the making of loans, etc., under Executive Order No. 9112. Before advising you by wire of an authorization for the execution of a guarantee given by an officer of the War Department, we will compare the signature of the officer with the specimen signature of such officer on file with us and will satisfy ourselves that the authorization has been given by one of the duly designated financial contracting officers of the War Department. We will forward you by mail the original of the authorization, retaining a photostat of such authorization in the Board's files. While we have not yet contacted the Navy Department and the United States Maritime Commission with respect to this matter, it is assumed that a similar procedure will be worked out in connection with authorizations given by officers of those agencies.

We have communicated to the War Department your suggestion that a standard wording be adopted in instructions to the Reserve Banks which would authorize the execution of a "Guarantee Agreement" in the standard approved form, rather than wording which simply authorizes a Reserve Bank to issue a guarantee with respect to a particular loan; and the War Department has advised us informally that this suggestion will be adopted.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-463

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 23, 1942

Dear Sir:

Enclosed for your information and files is a copy of a letter addressed to a Federal Reserve Bank regarding the question whether certain items were included in Group E of the Supplement to Regulation W.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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BONDS
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Federal Reserve Bank of St. Louis

S-463-a

April 23, 1942

Mr. _____, Vice President and Secretary,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Receipt is acknowledged of your letter of April 9, 1942, enclosing two questions and the opinions of your Counsel regarding them.

The first question is whether Group E of the Supplement to Regulation W includes materials and services used to alter a room in the basement of a residence for use as (1) a photographic dark room; (2) a work shop; (3) a garage for the owner's car; (4) a laundry room, or (5) a general storeroom for screens, etc.

Your Counsel points out that although the first three uses, if viewed out of their setting, are not necessarily residential in character, they are all conventional uses of residential basements. He feels that if a doctor remodels a room in his home to use as an office, the altered room would be designed "exclusively for nonresidential use", but he concludes that none of the five examples given above are examples of "nonresidential" improvements or alterations. The Board agrees.

The second question relates to the business of landscaping, including the construction of driveways, sodding, treatment of lawns, construction of rock gardens, planting of trees, and similar jobs.

On the analogy of W-122 your Counsel concludes that materials and services used in these jobs would be included in Group E, assuming that there is an existing structure on the property which is not designed exclusively for nonresidential use, and the Board agrees.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-464

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

April 23, 1942

Dear Sir:

Referring to Mr. Cravens' wire of April 20, there is enclosed a form prepared for use by financing institutions in applying to the Federal Reserve Banks as fiscal agents of the United States for guarantees of loans made for financing war production, pursuant to Executive Order No. 9112 of March 26, 1942.

Both the War Department and the Board's War Loans Committee think it desirable that all Federal Reserve Banks use substantially the same form for the above purposes, and that the form be as brief as is feasible in the circumstances. It is believed that the information called for on the attached form will give the War Department and the Federal Reserve Banks as fiscal agents of the United States the information they need in passing upon applications of financing institutions for guarantees of loans to be made for war production purposes. There is no objection to your making minor changes in the form, if you think them desirable in order to conform to existing policies of your Bank, but it is requested that no substantial changes through additions or otherwise be made in the form. Information supplementary to that contained in the form can be obtained where deemed necessary, but in order to avoid delay and unduly burdening the borrower and the financing institution such additional information should be asked for only in exceptional circumstances. If the submission of all of the information called for in item 9 would unduly delay the submission of the application, the part not readily obtainable may be omitted.

In case you find it desirable to prepare a form to be used by prime and subcontractors in applying directly to your Bank for loans to finance war contracts, it is suggested that the information called for in such forms be similar to that called for in the attached form with the omission, of course, of information to be supplied by the financing institution (items 1, 4, 5, and 10).

The form has been approved by Paul Cleveland, Major, A.U.S., of the War Department.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

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Federal Reserve Bank of St. Louis

S-464-a

APPLICATION BY FINANCING INSTITUTION
TO FEDERAL RESERVE BANK OF _____, FISCAL AGENT OF THE UNITED STATES,
FOR GUARANTEE OF LOAN, PURSUANT TO EXECUTIVE ORDER NO. 9112
DATED MARCH 26, 1942

1. Name and location of financing institution

2. Name and location of applicant for loan

3. Amount of loan applied for

4. Percentage of loan to be guaranteed

5. (a) Rate of interest to be charged Borrower

   (b) Maturity of proposed loan

   (c) Other terms and conditions of loan

6. Description of collateral, if any

7. War products to be supplied by applicant for loan

8. Purposes for which funds will be used

9. (a) If applicant for loan is a prime Government contractor, give the following information with respect to each prime contract:

   (1) Unit of Government with which the prime contract is held

   (2) Name, title, and address of Government contracting officer

   (3) Contract number

   (4) Amount of contract and approximate per cent completed

   (5) Date of first and last delivery

   (b) If applicant for loan is a subcontractor, give the following information with respect to each subcontract:

   (1) Name and address of concern with which applicant for loan has a subcontract or order for supplying war products

   (2) Name and address of prime Government contractor for whom products are being produced

   (3) Unit of Government for which products are being provided

   (4) Amount of applicant's subcontract or purchase order and approximate per cent completed

   (5) Date of first and last delivery

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10. General statement by financing institution with respect to the applicant's ability to perform the above contracts; the general character, reputation, and capability of the applicant; normal type and volume of production; and any other information which the financing institution would ordinarily take into account in considering a loan to the applicant.

11. Copy of audited balance sheet and operating statement for the last fiscal period of Borrower and copy of latest available balance sheet and of latest available interim operating statement should accompany application. (If audited reports for the last fiscal period are not available, furnish balance sheet and statement of earnings and expenses for that period properly certified.)

_____
(Full name of financing institution)

By _____
(Signature) (Title)

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Federal Reserve Bank of St. Louis

S-465

TELEGRAM

April 24, 1942

Paddock - 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 order that War Department, Navy Department or Maritime Commission may be in possession of adequate information in passing upon applications for guarantees of loans under Executive Order 9112, please accompany requests for such guarantees with a recommendation of necessity for loan from contracting officer of supply arm or service concerned or from some other reliable source. Such statement should include not only necessity for war supplies or services being furnished, but also a statement of necessity of making loan to proposed borrower and his ability to perform work at price specified in contract or subcontract.

(Signed) L. P. Bethea

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Federal Reserve Bank of St. Louis

S-466

TELEGRAM

April 25, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

It will be appreciated if hereafter you will forward in duplicate all communications and enclosures submitted by mail to the Board in connection with guarantees to be executed by armed services or Maritime Commission under Executive Order 9112. Your cooperation in this respect will facilitate the submission of applications and related data to the appropriate department or agency.

(Signed) L. P. Bethea

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-467

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

April 27, 1942

Dear Sir:

In accordance with a suggestion made by the War Department, it will be appreciated if your Bank will observe the following procedure in the execution of guarantee agreements pursuant to Executive Order No. 9112.

In the case of a guarantee agreement entered into between the War Department and a Federal Reserve Bank, two signed copies of the agreement should be executed and one additional copy should be made with signatures typed in. After the execution of the agreement by the parties, one signed copy will be available for the Federal Reserve Bank and one signed copy, together with the copy with signatures typed in, will be available for the War Department. It is understood that the War Department would transmit its signed copy to the General Accounting Office and retain the copy with signatures typed in for its own records.

In the case of a guarantee agreement entered into by a Federal Reserve Bank on behalf of the War Department with a financing institution, the same procedure should be followed except that an additional signed copy of the agreement should be executed in order that a signed copy may be furnished to the financing institution.

With respect to either type of guarantee, it will not be necessary to provide the Board of Governors of the Federal Reserve System with a copy of the agreement.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
DEFENSE
BONDS
STAMPS

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Federal Reserve Bank of St. Louis

S-468

May 2, 1942

TELEGRAM

(Addressed to the Presidents of all Federal Reserve Banks)

For Board's information, please wire each Monday morning number of applications for (a) Loans, and (b) Guarantees under Executive Order #9112 on hand at your Bank, and number of such (c) Loans, and (d) Guarantees that have been at your Bank for more than one week. This information may be wired against the letters a, b, c, and d.

(Signed) L. P. Bethea

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-469

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 4, 1942

Dear Sir:

The Board has been asked whether an organization which has registered under Regulation W, and which moves its principal office from one Federal Reserve district to another, is required to register again with the Federal Reserve Bank of the district into which its principal office has been moved. It is not necessary for such an organization to register again in these circumstances.

Very truly yours,

S. R. Carpenter,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
DEFENSE
BONDS
STAMPS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-470

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 6, 1942

Dear Sir:

In connection with the execution of guarantees under Regulation V, the question has arisen whether final consummation of a loan which is to be guaranteed and which is to be secured by assignments of contracts should be deferred until receipt by the assignee of accepted notices of assignment or until notices of such assignment have been delivered to the proper officers in accordance with Treasury Department Procurement Division Circular No. 447, of December 3, 1940.

For your information, there is quoted below an excerpt from a memorandum regarding this question which has been received by the Board of Governors from the War Department:

> "Please be advised that where loans guaranteed under Regulation V are to be secured by assignment of contracts the funds may be released in so far as the War Department is concerned immediately upon execution of the assignment by the contractor even though that assignment is not perfected by proper filing until later."

Very truly yours,

L. P. Bethea,
Assistant Secretary.

LETTER TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
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S-471

TELEGRAM

May 7, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

Sale of listed article in charge account with an agreement, arrangement or understanding that the credit will later be converted into an instalment contract violates sections 5(a) and 11(a) of Regulation W. You may use the foregoing in local press release if you so desire.

(Signed) Chester Morrill

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Federal Reserve Bank of St. Louis

S-472
Reg. W
(Revised)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

INTERPRETATION OF LAW OR REGULATION

May 7, 1942

WR-1. Regulation W as revised effective May 6, 1942 places no restriction on renewals or revisions of a single-payment loan originally made prior to May 6, 1942.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-473

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 8, 1942

Dear Sir:

Enclosed for your information and files is a copy of a letter addressed to a Federal Reserve Bank with reference to the classification of certain items for purposes of Regulation W.

Very truly yours,

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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STAMPS

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Federal Reserve Bank of St. Louis

S-473-a

May 8, 1942

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

Dear Mr. _____:

This is with further reference to your letter of April 21, 1942, which asked about the classification of silver-backed toiletware for purposes of Regulation W.

It is the Board's opinion that such toiletware is included in Group A-32 of section 13(a) of the revised regulation, "Silverware (including flatware and hollow ware, whether solid or plated)".

You will note that a slight change was made in the wording of this classification when the regulation was revised. The word "including" was added to the matter in the parenthesis. The effect of this change is to broaden the classification so that it covers not only flatware and hollow ware but also other merchandise made of silver or silver plate.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-474

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 8, 1942

Dear Sir:

Enclosed for your information and files is a copy of a letter addressed to a Federal Reserve Bank with reference to the classification of certain items for purposes of Regulation W.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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Federal Reserve Bank of St. Louis

S-474-a

May 8, 1942

Mr. _____, Assistant Counsel,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This is with further reference to your letter of April 24, 1942, which asked about the classification of lamp shades and fluorescent lights for purposes of Regulation W.

The Board agrees with your view that lamp shades sold separately are not subject to the regulation. As you suggest, shades should be considered replacements or repair parts which are discussed in ruling W-62. The revision of the regulation has no effect upon the status of shades.

Your letter also asked about fluorescent lights. You will note that the revised regulation has added a new classification, Group A-22, "lighting fixtures designed for household use". This classification includes fluorescent lighting equipment if it is of household design.

Many fluorescent lighting fixtures of household design are used both in homes and commercial establishments and these are subject to the regulation no matter where they may be installed. It is only those fixtures that are designed solely for use in commercial establishments that are beyond the scope of the regulation.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-475

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 9, 1942

Dear Sir:

When Amendments No. 2 and No. 3 to Regulation W were issued, a telegram was sent to each of the Federal Reserve Banks (W-108 and W-129) showing how the Amendments would affect interpretations previously issued.

The Regulation as revised effective May 6, 1942 makes a great many changes in section numbers, in addition to changes in substance. Accordingly, a list corresponding to W-108 and W-129 has not been sent by telegraph but is enclosed herewith.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

S-475-a

INTERPRETATIONS AFFECTED BY REGULATION W AS REVISED EFFECTIVE MAY 6, 1942

The interpretations are not affected except as indicated below. Note that W-108 and W-129 are superseded by this list.

W-1 Maximum maturity is now 12 months. Section 13 corresponds to old Supplement. Section 12(e) corresponds to old section 9(d).

W-2 Maximum maturity is now 12 months.

W-4 Obsolete.

W-5. Sections 12(g), 4(d) and 3(a)(3) correspond respectively to old sections 9(e), 4(f) and 3(a)(2)(B).

W-7 Obsolete. Included in Group A-14, section 13(a).

W-8 Section 12(e) corresponds to old section 9(d). See also section 12(f).

W-9 Lamps designed for household use are no longer classified as household furniture but are listed separately.

W-10 Obsolete since the point is now covered by section 11(e). Note change in maximum maturity and down payment.

W-12 Section 12(e) corresponds to old section 9(d). See also section 12(f).

W-14 Toasters, food-mixers, roasters, air circulating or ventilating fans other than attic fans or air conditioners, and waffle irons are now listed in Group A-14, electric appliances. See also Group A-35. Clocks are listed separately in Group A-11. Carpet sweepers are now listed in Group A-34.

W-15 Section 4(c) corresponds to old section 4(d). See also section 9.

W-16 Sections 2(d) and 2(e) correspond to old section 2(d). Section 6(b) corresponds to old section 5(b). Even if not instalment sale credit, the transaction would involve a "purpose loan" under section 6(a).

W-17 China dinner sets and stainless steel cooking utensil sets are now included in Group A-35, tableware and kitchenware, equipment and utensils. Silver-plated flatware is included in Group A-32, silverware.

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W-19 Sections 10(a) and 10(b) correspond to old sections 8(a) and 8(b). Note change in maximum maturity, and note provisions relating to "add-ons" and "Statement of Necessity" in sections 10(b) and 10(d), respectively. Section 11(a) corresponds to old section 8(g).

W-24 Obsolete.

W-25 Although this interpretation is not affected, note that old section 6(a), which is now section 8(a), has been broadened by Amendment effective December 1, 1941.

W-26 Same comment as W-25.

W-27 Same comment as W-25.

W-28 Section 10(a) corresponds to old section 8(a). Note section 10(d) regarding "Statement of Necessity", and section 10(b) regarding "add-ons".

W-29 Section 3(a)(3) corresponds to old section 3(a)(2)(B). Section 4(d) corresponds to old section 4(f).

W-30 Superseded by W-128.

W-32 Section 11(c), line 4, corresponds to old section 8(f), line 6.

W-33 Section 8 corresponds to old section 6. Note section 6(a) as amended.

W-34 Section 3(a)(3) corresponds to old section 3(a)(2)(B).

W-35 Obsolete. See sections 6(d) and 7(d).

W-36 Obsolete.

W-37 Obsolete.

W-38 Obsolete in view of section 5.

W-39 Obsolete.

W-40 Heating stoves - unchanged but no longer of significance because down payment is the same in any event.

W-43 Note change of maximum maturity to 12 months. Section 12(c) corresponds to old section 9(b).

W-44 Hand irons operated by electricity are now listed in Group A-14.

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W-45 The phrase "principal amount" occurs in sections 2(h) and 2(i) instead of old section 5(b). See sections 6(a), 6(b), 7(a) and 7(b).

W-46 Obsolete. Items listed now included in Group A-25, section 13(a).

W-47 Not affected, but note section 7 regarding single-payment loan. See W-107.

W-48 Although this interpretation is not affected, note that old section 6(a), which is now section 8(a), has been broadened by Amendment effective December 1, 1941.

W-49 Old section 6(f) is no longer in the Regulation.

W-51 Group C, section 13(a) corresponds to Group E of the Supplement.

W-52 Maximum maturity is now 12 months.

W-53 Obsolete.

W-54 Section 12(e) corresponds to old section 8(e), and sections 10(a), 10(b) and 10(c) correspond to old sections 8(a), 8(b) and 8(c).

W-55 Obsolete only to the extent that it refers to items 1 through 4 of Part 3(a), Supplement. See section 13(c).

W-56 Note change in maximum maturity.

W-58 Section 3(a)(3) corresponds to old section 3(a)(2)(B).

W-62 Refer to Group D and Group A in section 13(a) instead of Group A and Group C, respectively.

W-63 Maximum maturity is now 15 months.

W-65 Old section 6(f) is no longer in the Regulation.

W-66 Obsolete. Pressure cookers are now listed in Group A-35.

W-68 Sections 4(d)(2) and 2(j) correspond to old section 4(f)(2).

W-69 Obsolete.

W-70 Section 12(c) corresponds to old section 9(b). Note reduction in maximum maturity.

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W-71 Section 13(b) corresponds to Part 2 of the Supplement. Section 12(c) corresponds to old section 9(b). Note change in maximum maturity and minimum down payment.

W-72 Section 10(a) corresponds to old section 8(a).

W-73 Obsolete.

W-74 Obsolete.

W-75 Section 2(j) takes the place of the sections referred to.

W-76 Obsolete.

W-77 Section 11(c) corresponds to old section 8(f). Section 6(a) corresponds to old section 5(a). Note section 13(c) regarding down payments on automobiles.

W-78 Group B-1, section 13(a) corresponds to old Group D-7, but includes both new and used furniture.

W-79 Obsolete.

W-83 Section 3(a)(3) corresponds to old section 3(a)(2)(B).

W-84 Sections 4(d) and 6(c)(1) correspond to old sections 4(f) and 5(c)(1), respectively. Paragraph 3 and Paragraph 4 are obsolete.

W-87 Group C in section 13(a) corresponds to old Group E.

W-88 Obsolete.

W-90 The reference to seven heating surfaces was made obsolete by Amendment of March 23, 1942.

W-91 Group C in section 13(a) corresponds to old Group E.

W-92 Section 3(a)(3) corresponds to old section 3(a)(2)(B). Note that the old section 6(a), which is now section 8(a), has been broadened by Amendment effective December 1, 1941. Second paragraph is obsolete.

W-94 Group A and Group C in section 13(a) cover furnaces and old Group E items, respectively.

W-95 Note change in maximum maturity.

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W-96 Obsolete. Covered by section 2(j).

W-97 Obsolete.

W-98 Obsolete, except as to the general principle noted in the last paragraph.

W-99 Section 4(a) corresponds to the reference to the Supplement. Note section 4(a)(3).

W-100 Section 4(d) corresponds to old section 4(f).

W-102 Obsolete in view of section 5.

W-105 Section 12(b) corresponds to old section 4(g).

W-106 Obsolete.

W-107 Not affected, but note section 7 regarding single-payment loans.

W-108 Superseded by this list.

W-109 Obsolete.

W-111 Group D in section 13(a) corresponds to old Group A.

W-112 Section 12(d) corresponds to old section 9(c).

W-113 Obsolete, but see section 4(a)(3) and section 12(1).

W-114 Section 9(b) corresponds to old section 9(f).

W-115 Obsolete. Superseded by Amendment of March 23, 1942, to Option 1 in present section 10(b).

W-116 Note changes in down payments and maturities in list in section 13(a).

W-117 Group C in section 13(a) corresponds to old Group E-1. Note that figure is now $1,500 instead of $1,000.

W-118 Sections 10(a), (b) and (c) correspond to old sections 8(a), (b) and (c).

W-119 Sections 2(d) and 2(e) correspond to old section 2(d). Section 8 corresponds to old section 6.

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W-120 Group C in section 13(a) corresponds to old Group E-1.

W-122 Group C in section 13(a) corresponds to old Group E-1. Note that provision is now not applicable to a structure designed exclusively for non-residential use.

W-123 Section 11(d) corresponds to old section 5(f).

W-124 Sections 2(d) and 2(e) correspond to old section 2(d). Section 2(h) corresponds to old section 2(e).

W-125 Section 6 corresponds to old section 5.

W-126 Obsolete in view of first line of section 8, which corresponds to old section 6.

W-127 Section 8(a) corresponds to old section 6(a).

W-128 Same comment as W-127.

W-129 Superseded by this list.

W-131 Group A-24 in section 13(a) corresponds to old Group C-15.

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S-476
Reg. D-16

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

May 8, 1942

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

Dear Mr _____:

This refers to your letter of February 10, 1942 addressed to Mr. Leo H. Paulger, Chief of the Board's Division of Examinations, regarding the question whether amounts deducted by a bank from its employees' salaries for Social Security taxes should properly be shown as deposits or as other liabilities. You also raise the question whether amounts accrued by the bank for payment of its taxes under the Social Security Act and under State unemployment tax laws should be carried as deposits.

It appears that under the Social Security Act the tax imposed upon employees is required to be collected by the employer by deducting the amount of such tax from the wages as and when paid and that every employer so required to deduct the tax is expressly made liable for the payment of such tax. In the present case, therefore, the bank deducts the amount of the tax from the salary of the employee and is then itself legally liable for the payment of such tax. In these circumstances it is the view of the Board that amounts so required to be deducted from employees' salaries and to be paid by the bank under the Social Security Act are not to be regarded as deposits for reserve purposes but should be shown in condition reports as "Other liabilities".

With respect to amounts accrued by the bank for the purpose of meeting taxes imposed upon it under the Social Security Act or under State unemployment tax laws, it is the Board's opinion that such amounts likewise should not properly be classified as deposits but should be shown by the bank as "Other liabilities" in the account "Interest, taxes, and other expenses accrued and unpaid."

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-477

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 11, 1942

Dear Sir:

Following is the text of a telegram being sent to a Federal Reserve Bank regarding W-100:

"Your letter April 16 regarding W-100. Requirements of section 4(d) of revised Regulation will be met if Statement of Transaction is given promptly to obligor, irrespective of whether it is given by seller or by some other person."

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-478

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 12, 1942

Dear Sir:

This refers to the letter of the Deputy Comptroller of the Currency dated April 9, 1942 which was enclosed with the Board's letter of April 10, 1942 (R-974) regarding the applicability of the limitations of section 5200, Revised Statutes, to loans made by national banks in participating in the program of war financing under Executive Order No. 9112 of March 26, 1942.

While the letter in question has not been published or generally distributed, there is no objection to giving a copy of the letter to any interested party. Moreover, while the letter was not given an S-letter designation, it will be included in the Federal Reserve Loose-leaf Service.

In this connection, it will be appreciated if you will advise the Board of any action which has been taken in the States in your district, either through interpretations by the State banking authorities or through legislation, with respect to the limitations applicable to loans which may be made by State banks in participating in the program under the Executive Order mentioned. Advice of any such action which may hereafter be taken will also be appreciated.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-479

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 13, 1942

Dear Sir:

The following is an excerpt from a telegram sent to a Federal Reserve Bank regarding Regulation W:

"*** your question is whether a balance of $18.00 may be paid in 3 monthly instalments of $5.00 followed by one instalment of $3.00. This is permitted."

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-480

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 15, 1942

Dear Sir:

Enclosed for your information and files is a copy of a letter addressed to a Federal Reserve Bank with reference to the application of section 4(d) of Regulation W, regarding the Statement of Transaction, to cases in which a "coupon book" is used.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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S-480-a

May 15, 1942

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

Dear Mr. _____:

This refers to your letter of May 8, 1942 (Inquiry No. 17), suggesting the following procedure relative to the statement of transaction under section 4(d) of Regulation W where department stores sell coupon books or similar media of credit and obtain a one-third down payment thereon, and require that the balance thereof be paid in monthly instalments meeting the requirements of sections 4(b) and 4(c):

> "In connection with the sale of a coupon book, or other similar medium of credit, the coupons or the booklet containing the coupons, or a statement furnished the purchaser concurrently, should contain the following information: (1) the amount of the purchaser's down payment in cash in respect of the coupon book; (2) the deferred balance; (3) the amount of insurance premiums (if any) and of any interest or finance charges, and (4) the terms of payment. At the time a coupon is used for the purchase of a listed article the purchaser should be furnished with a statement (presumably the customary sales check) setting forth (1) a brief description of the article purchased and (2) the cash price of the article."

The Board agrees with you that the foregoing procedure would constitute compliance with section 4(d) since, upon the use of the coupons in the purchase of a listed article, the purchaser would then come into possession of a completed statement of transaction.

This view is in accord with that part of W-84 stating that it is unnecessary for the statement of transaction to be included on a single sheet of paper, but, in effect, such view is an exception to that part of W-84 stating that copies of all parts of the statement of transaction be given to the obligor together.

The fact that department stores operating as outlined herein would be imposing terms in some cases more severe than those required by the Regulation is immaterial in the light of section 12(k).

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-481

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 16, 1942

Dear Sir:

Enclosed for your information and files is a copy of a letter addressed to a Federal Reserve Bank with reference to the classification of certain items for purposes of Regulation W.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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Federal Reserve Bank of St. Louis

S-481-a

May 13, 1942

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

Dear Mr. _____:

Receipt is acknowledged of your letter of May 7, 1942, in which you point out that according to common trade terminology, as used in many department stores, "wearing apparel" covers outer garments such as coats, suits, dresses, blouses, skirts, etc., and that the term "accessories" has been used to apply to such items as gloves, hosiery, underwear, negligees, and the like. However, you have stated definitely that for the purposes of Regulation W, the term "wearing apparel" as used in section 13, includes all such accessory items and any other items of apparel whether under or outer garments, including infants' wear.

The Board agrees with your interpretation.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-482

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 18, 1942

Dear Sir:

In connection with the execution of guarantee agreements pursuant to Executive Order No. 9112, the following procedure should hereafter be observed.

In the case of a guarantee agreement entered into by a Federal Reserve Bank on behalf of the War Department, the Navy Department, or the United States Maritime Commission with a financing institution, four signed copies of the agreement should be executed. After execution of the agreement by the parties, one signed copy will be available to the Federal Reserve Bank, one copy to the financing institution, and two to the War Department, Navy Department, or Maritime Commission, as the case may be.

In the case of a guarantee agreement entered into between the War Department, the Navy Department, or the Maritime Commission and a Federal Reserve Bank, three signed copies of the agreement should be executed, one to be available to the Federal Reserve Bank, and the remaining two copies to be available to the War Department, the Navy Department, or Maritime Commission, as the case may be.

Copies of any such agreement which are intended for the War Department, the Navy Department or the Maritime Commission, should be forwarded directly to the Board of Governors for transmittal to the agency concerned.

The above procedure supersedes the procedure described in the Board's letter of April 27, 1942 (S-467). As stated in that letter, however, it is not necessary that a copy of any guarantee agreement be provided for the Board of Governors of the Federal Reserve System.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-483

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 22, 1942

Dear Sir:

Pursuant to the request contained in the Board's letter S-202 of January 24, 1940, the Federal Reserve Banks have been furnishing the Board of Governors with monthly reports, Form F.R. 494, of Federal Reserve Bank officers' and certified checks which apparently had been held for a period by other banks, had been pledged as collateral for deposits, or had been turned over to bank depositors who apparently had no intention of promptly presenting them for payment. As indicated in that letter, the reports were requested in order to afford some idea of the effect of this practice upon the amount of deposits subject to reserve requirements under Section 19 and to insurance assessments under Section 12B of the Federal Reserve Act.

These reports are no longer needed for the purposes indicated and, accordingly, they need not be prepared hereafter.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY UNITED STATES WAR BONDS AND STAMPS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-484

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1942

Dear Sir:

Enclosed for your information and files is a copy of a telegram addressed to a Federal Reserve Bank with reference to loans for purposes of purchasing or carrying building and loan shares under Regulation W.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
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Federal Reserve Bank of St. Louis

S-484-a

May 20, 1942

TELEGRAM

(Addressed to a Federal Reserve Bank)

Loans for purposes of purchasing or carrying building and loan shares are exempted from Regulation W by the last clause of section 8(b). Loans for other purposes, however, even though secured by building and loan shares, are not exempted by this section.

(Signed) Bethea

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-485

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1942

Dear Sir:

Enclosed for your information and files is a copy of a letter with reference to sales in charge accounts under Regulation W.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

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S-435-a

May 20, 1942

_____ Company,
_____Street,
_____, _____.

Gentlemen:

In your letter of May 11, 1942, you asked whether in the case of sales in charge accounts it would be proper for the customer to (1) make occasional payments rather than full payment on the due date, and (2) make some payment, regardless of amount, at the time a purchase in a charge account is made.

Under the Board's Regulation W relating to Consumer Credit, it is not of itself objectionable for a customer making a purchase in a charge account to choose to make occasional payments before the due date or to make some payment, regardless of amount, at the time of the purchase. Such payments would not be contrary to section 5 of the regulation relating to charge accounts. However, if there is an understanding, agreement, or other arrangement indicating that partial payments are to be made so that the transaction would involve "instalment credit" as defined in section 2(c) of the regulation, then the transaction would have to comply with section 4 of the regulation covering instalment sales. For your information, a copy of the regulation is enclosed herewith.

The administration of Regulation W has been decentralized, and, therefore, it is suggested that further inquiries which you may have be addressed to the Federal Reserve Bank of _____.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-486

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1942

Dear Sir:

For your information, there are set forth below the answers to certain questions that have arisen in connection with guarantees made by the Federal Reserve Banks as fiscal agents of the United States, pursuant to Executive Order 9112 of March 26, 1942.

1. In submitting applications for guarantees of loans made pursuant to Executive Order 9112, please include in all instances your recommendation as to the rate of guarantee fee to be charged.

2. In order that the practice with respect to the collection of guarantee fees may be substantially uniform throughout the System, it is suggested that where practicable the loan agreement provide for the payment of such fees at quarterly intervals.

3. It is understood that in some instances the Federal Reserve Banks have experienced considerable difficulty in obtaining adequate statements from procurement officers with respect to applications for guarantees. It is not expected that the procurement officers will be asked to make formal certifications to the Federal Reserve Banks, but that they will furnish the Reserve Banks, in writing, such information as they have with respect to the applicant's ability to perform the contract and the need for fulfillment of the contract in the prosecution of the war. The submission of applications to Washington should not be delayed because of the inability to obtain as complete information from procurement officers as might be desirable.

4. In order that the War Department, Navy Department, and Maritime Commission may have adequate information with respect to the terms and conditions under which loans are made or guaranteed on their behalf, it will be appreciated if you will have financing institutions furnish you with two copies of any loan agreement that is executed and forward one copy thereof to the Board for transmission to the War Department, Navy Department, or Maritime Commission, as the case may be.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL
FEDERAL RESERVE BANKS

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BOARD OF GOVERNORS
OF THE
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WASHINGTON

S-487

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 23, 1942

Dear Sir:

In the Board's letter of May 24, 1937, X-9895, (Federal Reserve Loose-leaf Service #3826) it was stated that, effective June 1, 1937, mimeographed communications to the Federal Reserve Banks would be assigned numbers in the S and R series, respectively. S-numbers were to "be assigned to all mimeographed communications sent to all Federal Reserve Banks which contain rulings and interpretations of the statutes and the Board's regulations, and instructions relating to policy or administrative matters", and R-numbers were to "be assigned to all routine mimeographed matters, statements, press releases, etc., sent to all Federal Reserve Banks".

In recent months this procedure has been departed from to some extent in order to avoid the large distribution which R-letters receive. At present we are furnishing the twelve Reserve Banks altogether about 250 copies of every S and R-letter, which gives undue distribution to many letters and entails in the aggregate an excessive handling and consumption of paper. It has frequently happened, for example, that a legislative document was sent to each Federal Reserve Bank with a covering letter, 250 duplicates of which, as R-letters, were distributed without enclosing the document which was the occasion for the letter--the reason being that only twelve copies of the document may have been obtainable. Even more frequently, copies of telegrams or letters embodying instructions of importance only to departments directly concerned are distributed in ten or twenty times the volume necessary.

Accordingly it is planned to discontinue the distribution of mimeographed letters in quantities as a regular practice, and to follow the principle that a mimeographed letter sent to all Federal Reserve Banks is not different from a typed letter sent to any one Bank. Mimeographing avoids the necessity of typing, verifying, and signing twelve original, identical letters and is therefore an economy; we wish to avoid defeating its purpose by making it the occasion for a wasteful duplication.

The procedure we plan to observe is as follows:

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1. In the case of letters and telegrams assigned numbers of the S-series in accordance with present procedure, the regular practice will be to send three copies only to each Federal Reserve Bank in addition to the addressed copy sent each President. This provides a copy for files, a copy for the department concerned with the subject of the letter, and a copy for circulation, if necessary. The Board will, of course, continue to include S-letters in the Federal Reserve Loose-leaf Service and in addition will be glad to forward a copy of each S-letter directly to each branch of a Federal Reserve Bank.

2. In the case of other mimeographed letters, one addressed copy only will be sent the President of each Federal Reserve Bank, the procedure being the same as if the letter were not mimeographed.

3. The R series of numbers will be discontinued.

4. In case any particular communication obviously calls for wide distribution, a supply may be furnished in anticipation of the need. This applies particularly to interpretations, which can be furnished in quantities as at present.

While the foregoing procedure will on occasion make it necessary for a Reserve Bank to duplicate a communication, for distribution to its own staff, it is believed such occasion will be rare. In formulating this procedure, it is recognized that economies should not be attempted by the Board if they necessitate more than offsetting expenditures at the Banks. But it is also recognized that practices which have been justifiable under normal conditions may be properly subjected to drastic changes under war conditions.

Before changing our procedure in the direction indicated, it will be appreciated if you will advise the Board whether the proposed changes meet with your approval and whether you would see objection to putting them into effect beginning June 1, 1942.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
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WASHINGTON

S-488

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1942

Dear Sir:

With respect to the standard form of guarantee agreement dated May 14, 1942 approved by the agencies concerned for use in connection with operations under Executive Order No. 9112, there is enclosed a copy of a memorandum dated May 21, 1942 which the Board has received from Leiutenant Colonel Paul Cleveland, Chief, Advance Payment and Loan Section, War Department. It will be noted that in accordance with this memorandum, a special condition should be inserted in section 13 of all guarantee agreements executed by the Federal Reserve Banks on behalf of the War Department under the Executive Order above mentioned.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-488-a

WAR DEPARTMENT
Headquarters, Services of Supply
Washington, D. C.

May 21, 1942.

MEMORANDUM For the Board of Governors of the Federal Reserve System.

Attention: Assistant Administrator, War Loans Committee.

SUBJECT: Guarantee Agreement.

1. The standard form of guarantee agreement dated May 14, 1942, does not expressly prohibit the Financing Institution from obtaining any separate collateral security for its sole benefit. The form of guarantee agreement also does not expressly require that separate payments or security obtained by the Financing Institution after the War Department has become the holder of the obligation, must be applied for the benefit of both the War Department and the Financing Institution. In other words, it might be that after the War Department has become the holder of the obligation, separate payments or security could be obtained and applied by the Financing Institution in liquidation of its participation in the loan.

2. In order to eliminate this possibility, and pending explicit coverage of this point by revision of the standard form of guarantee agreement for use on all loans guaranteed by the War Department, Navy Department or Maritime Commission, it is requested that all the Federal Reserve Banks be instructed to insert the following special condition in Section 13 of all guarantee agreements executed for the War Department:

> "All amounts at any time paid or credited upon the loan, however realized, must apply ratably for the benefit of the Financing Institution and the War Department, according to their respective interest in the loan."

(Signed) Paul Cleveland

Paul Cleveland,
Lieut. Colonel, A. U. S.
Chief, Advance Payment and Loan Section.

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BOARD OF GOVERNORS
OF THE
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WASHINGTON

S-489

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 25, 1942

Dear Sir:

In connection with the execution of guarantee agreements on behalf of the United States Maritime Commission pursuant to Executive Order No. 9112, the Board has received a memorandum dated May 15, 1942 from Mr. R. E. Anderson, Director of Finance, United States Maritime Commission, transmitting a form of certificate which has been prescribed by the Commission for use by the Director of Finance or representatives of the Commission under the first paragraph of section 2 of the instructions of the Maritime Commission to all Federal Reserve Banks dated May 7, 1942. A copy of Mr. Anderson's memorandum and a copy of the form of certificate authorized by the memorandum are enclosed herewith.

Your attention is called to the fact that the form of certificate provides places for the signatures of two authorized representatives of the Maritime Commission. In this connection the Board has received an explanatory letter from Mr. Anderson, dated May 21, 1942, containing the following paragraph:

> "The form of certificate which has been prescribed by the Maritime Commission pursuant to the first paragraph of section two of our Instructions to all Federal Reserve Banks will require two signatures of authorized field representatives. In those cases where this Production Certificate is furnished by authorized representatives of the Maritime Commission located in Washington, two signatures will also be required."

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures 2

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

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UNITED STATES MARITIME COMMISSION
Washington

May 15, 1942.

MEMORANDUM: To the Board of Governors of the Federal Reserve System.

SUBJECT: Certificate of Maritime Commission.

There is transmitted herewith a copy of a form of certificate which has been prescribed by the Maritime Commission pursuant to the first paragraph of section 2 of the instructions of the Maritime Commission to all Federal Reserve Banks dated May 7, 1942, for use by the Director of Finance or representatives of the Commission under such paragraph.

(Signed) R. E. Anderson
Director of Finance

Attachment

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C O P Y

S-489-b

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CERTIFICATE OF UNITED STATES MARITIME COMMISSION

Date _____

To Federal Reserve Bank of _____

_____

This is to notify the Federal Reserve Bank of _____, pursuant to instructions issued by United States Maritime Commission to all Federal Reserve Banks under date of May 7, 1942, that _____ (Contractor) _____ (Subcontractor or other Person) (hereinafter called "Contractor") is engaged in or is about to engage in a business or operation deemed by the undersigned to be necessary, appropriate, or convenient for the prosecution of the war and is in need of funds for working capital in order to facilitate or expedite war production.

The undersigned certifies that a contract between the Contractor and _____ for the furnishing of _____ (Articles or Services) in connection with the United States Maritime Commission's war-time activities is in existence or in process of negotiation; that on information and belief the Contractor is capable of performing the contract in accordance with its terms if adequate financing is made available.

UNITED STATES MARITIME COMMISSION

By _____
(Authorized Representative)

_____
(Title)

By _____
(Authorized Representative)

_____
(Title)

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S-490

TELEGRAM

May 26, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

Several questions regarding WR-1 and related matters are discussed below.

As explained in WR-1, a single-payment loan made before May 6 may be renewed more than once. Furthermore, the borrower may pay a portion of the loan at the time of any such renewal, or the loan may be put on an instalment basis without regard to the requirements of section 6(b) or any other provision of the Regulation. It is to be noted, however, that the absence from Regulation W of restrictive provisions with respect to such renewals or conversions is not intended to encourage them, but must be considered in the light of the joint statement made for the press on May 7 by the Comptroller of the Currency, the Board of Directors of the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System. This joint statement will be published in the Federal Reserve Bulletin for June.

A loan of over $1,500 is not subject to the Regulation whether the loan is single-payment or instalment, whether made before or after May 6, or whether all or part is to be used to pay off a previous indebtedness with the same lender or another lender. On the other hand, if the obligor on a $1,000 note borrows another $800 from the same lender as a separate transaction evidenced by a separate note, the new $800 loan is subject to the Regulation.

If instead of renewing or revising a single-payment loan made prior to May 6, the obligor makes one loan (of $1,500 or less) part of which is to be used to pay off the old single-payment loan and part of which represents new money, only the part of the new loan representing new money is subject to the requirements of the Regulation. However, in any such case it would ordinarily be better practice for the lending institution to keep the credits separate and not to combine them in a single obligation since otherwise it might be difficult for the lending institution and for the examiners to be sure that there was no violation of the Regulation.

A renewal or revision of a loan which was originally more than $1,500 is not subject to the Regulation even though the balance at the time of the renewal or revision is less than $1,500.

(Signed) Chester Morrill

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S-491

TELEGRAM

May 26, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

Classification "Jewelry (including precious stones and costume jewelry)", Group A-19 of Regulation W, includes such articles as cigarette cases and compacts when the article is made of or ornamented with precious metals or precious or semi-precious stones. Classification also includes such articles as men's and women's belt buckles, key chains, tie clips and collar fasteners. Principle involved is that classification includes all articles which are found to be customarily classified as jewelry by the trade, particularly when in addition the article comes fairly within the dictionary definition which refers to articles of personal adornment.

The Reserve Banks are requested to note for application to other questions concerning listed articles that the foregoing interpretation is based primarily upon investigation into the facts of prevailing trade usage and also that it follows a studied pattern in stressing the inclusive aspect of the classification and leaving the exclusive aspect to implication. Board would like as a matter of policy to avoid hereafter as far as possible rulings that will either (1) state categorically that a given article is not a listed article or (2) appear by going into small details to countenance efforts to search out possible gaps in the list.

(Signed) Chester Morrill

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S-492

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 27, 1942

Dear Sir:

Enclosed for your information and files is a copy of a telegram addressed to a Federal Reserve Bank with reference to upholstery under Regulation W.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-492-a

TELEGRAM

May 19, 1942

(Addressed to a Federal Reserve Bank)

Retel May 15, Board agrees that upholstery is a listed article since it includes yard goods and pricing would also include installation charges.

(Signed) L. P. Bethea

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BOARD OF GOVERNORS
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WASHINGTON

S-493

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 27, 1942

Dear Sir:

Enclosed for your information and files is a copy of a telegram addressed to a Federal Reserve Bank with reference to electrical hearing devices under Regulation W.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-493-a

TELEGRAM

May 23, 1942

(Addressed to a Federal Reserve Bank)

Retel May 19, Board does not believe that electrical hearing devices are included under Item 14, Group A, or elsewhere among listed articles.

(Signed) L. P. Bethea

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BOARD OF GOVERNORS
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WASHINGTON

S-494

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 27, 1942

Dear Sir:

Enclosed for your information and files is a copy of a telegram addressed to a Federal Reserve Bank with reference to sections 6(b) and 7(c)(1) of Regulation W.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-494-a

TELEGRAM

May 9, 1942

(Addressed to a Federal Reserve Bank)

Your wire May 7. Last part of section 6(b) refers to a loan to retire an obligation held elsewhere whereas section 7(c)(1) refers to the renewal or extension of an obligation held by the registrant. Regulation is not entirely explicit on this point.

(Signed) L. P. Bethea

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BOARD OF GOVERNORS
OF THE
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WASHINGTON

S-495

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 27, 1942

Dear Sir:

Enclosed for your information and files is a copy of a letter with reference to the financing of fire insurance premiums under Regulation W.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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S-495-a

May 15, 1942

_____ Company,
_____ Street,
_____, _____.

Gentlemen:

In your letter of May 11, 1942, you asked whether the instalment financing of the premium on a three year fire insurance policy is exempted by section 8(g) of Regulation W if, upon cancellation of the policy by the finance company for default in an instalment payment on the loan contract, the unearned premium returnable by the insurance company on a short-rate cancellation basis would be only 60 per cent of the entire premium, whereas under the loan contract, the insured would owe the lender an amount equal to 66-2/3 per cent of such premium.

Your inquiry requires a negative answer, since section 8(g) applies only in cases where the extension of credit is at all times to be fully secured by the unearned premium returnable by the insurer on cancellation of the policy.

The administration of Regulation W has been decentralized, and, therefore, if you have further inquiries relating thereto, it is suggested that you address them to the _____ Branch of the Federal Reserve Bank of _____.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
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WASHINGTON

S-496

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 28, 1942

Dear Sir:

Under date of October 10, 1941 (S-368), the Board wrote you with regard to obtaining corrections of apparent violations of Regulation W. It was assumed that most violations were the result of inadvertence or misunderstanding as to the meaning of the provisions of the regulation.

Since that time many Registrants have had an opportunity to familiarize themselves with the regulation and there may be instances where violations are willful rather than the result of inadvertence or ignorance. The Board feels that it has a responsibility to provide such a program of enforcement as will bring about general compliance with the requirements of the regulation and in some degree prevent willful violations. To this end, the Board has approved a program of enforcement, a copy of an outline of which is enclosed. Certain parts of the program call for action by the various Federal Reserve Banks, and it is requested that your Bank proceed in accordance with this program.

After consultation with representatives of the Department of Justice it has been decided that, for the present at least and in the absence of exceptional circumstances, violations will not be reported to the Department of Justice in the first instance. However, in cases where the circumstances warrant, proceedings will be instituted, as set forth in the outline, to determine whether or not the Registrant's license should be suspended. The Board may wish to bring some of the cases in the latter category to the attention of the Department of Justice for possible prosecution by that Department. At the present time, however, it is desirable that every effort be made to secure compliance on the part of persons having obligations under the regulation, and it is contemplated that criminal action will be taken only in cases involving willful and aggravated violations.

In connection with subdivision II(B) of the enclosed program relating to proceedings for suspension of license in the case of willful violations, it is contemplated, of course, that if any case should

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be discovered where the failure of a person subject to Regulation W to comply with the registration requirements of the regulation is apparently willful, you will make a full report of the facts in such case to the Board in order that it may bring the case to the attention of the Department of Justice.

With respect to subdivision I(A)(3) of the enclosed program relating to solicitation of the cooperation of local supervisory agencies, it is suggested that your Bank not take steps to work out a program with such agencies until the Board has reached agreement with the Federal Deposit Insurance Corporation, the Comptroller of the Currency, etc., with respect to their cooperation as mentioned under subdivision I(A)(2). In this connection, it may be mentioned that it is contemplated that in our contact with the National Association of Supervisors of State Banks we will solicit their cooperation at this time only as to banks. However, it is believed that in a number of States the bank supervisory agency also supervises and examines other classes of lenders subject to Regulation W. We will advise you as soon as practicable as to the agreements we have reached with the Federal Deposit Insurance Corporation, the Comptroller of the Currency, etc., and in the meantime you may wish to contact the bank supervisory agencies and any other similar agencies in your district to determine what lenders subject to Regulation W other than banks come under their jurisdiction.

The Board desires to emphasize that the enclosed program of enforcement is not intended to diminish in any way the educational activities of your Bank with regard to the requirements of Regulation W through trade associations, Better Business Bureaus, the press, by furnishing speakers to interested groups, or by any other appropriate means.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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OUTLINE OF ENFORCEMENT PROGRAM UNDER REGULATION W

I. Detection of Violations

A. Lenders:

1. It shall be the primary responsibility of the Federal Reserve Banks to detect violations by State member banks through the usual process of examination of such banks and through spot checks to detect violations by other lenders not periodically examined by recognized State or Federal supervisory agencies. Such spot-checking shall be conducted as outlined under I-B below.

2. The Board will undertake to obtain the cooperation of supervisory agencies having authority of national scope in detecting violations by institutions under their examination and supervision, such agencies including--

   a. Federal Deposit Insurance Corporation

   b. Comptroller of the Currency

   c. National Housing Agency

   d. Farm Credit Administration

   The Board will also undertake to obtain the cooperation of the National Association of Supervisors of State Banks.

   Any such cooperation will be solicited along the lines of that which has been obtained with respect to violations of the Board's Regulation U, with such modifications of procedure as may be appropriate to conform to this program.

3. The Federal Reserve Banks will solicit the cooperation of supervisory agencies having authority of local scope in detecting violations by institutions under their examination and supervision. Each Federal Reserve Bank, with the assistance of its counsel, will ascertain the local supervisory agencies regularly examining and supervising those lenders subject to Regulation W.

B. Vendors:

1. The various Federal Reserve Banks will for the present spot check extensions of credit by vendors, each Federal

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Reserve Bank exercising its own discretion as to the number of checkers or investigators it will engage, their qualifications and training, the size of sample of vendors to be investigated, and the methods and scope of investigation. The Board suggests, however, that each Federal Reserve Bank make a real effort to spot check a representative number of vendors that may be subject to Regulation W. Any such investigator should be furnished with appropriate credentials by the Federal Reserve Bank he represents. The investigator's report should follow such form as is suggested by the following outline:

a. Name of the Federal Reserve Bank.

b. Name, address, and character of the business investigated and whether registered.

c. Date of investigation.

d. Name of investigator.

e. Scope of investigation (including procedure in spot-checking, number and types of transactions reviewed and for what calendar period, whether there was a review of Statements of Borrower, Statements of Transaction, and Statements of Necessity, etc.).

f. List of violations disclosed and as to each whether in the investigator's opinion it was apparently willful or inadvertent.

g. A complete detailed statement of facts of each violation.

h. Corrections, if any, obtained as a result of the investigation.

i. The attitude of the business executives toward the regulation in general and toward the alleged violation in particular.

j. Other comments of the investigator.

II. Treatment of Violations after Detection

Consideration will be given in this section only to violations discovered by the Federal Reserve Banks. In negotiations with

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other supervisory agencies, an attempt will be made to have their treatment of violations conform generally to the treatment of violations discovered by the Federal Reserve Banks.

A. Inadvertent violations:

1. If in the opinion of the Federal Reserve Bank the violation was inadvertent, the Reserve Bank will--

a. Take appropriate steps to bring about, if practicable under all the circumstances, a correction of the contract in accordance with the regulation;

b. If the circumstances warrant, make further investigations from time to time to determine whether other violations occur; and

c. Furnish the Board, when requested to do so, with reports showing inadvertent violations and the corrections obtained.

B. Willful violations:

1. If, in the opinion of the Federal Reserve Bank, a violation was apparently willful and proceedings should be instituted to determine whether the Registrant's license should be suspended, the Federal Reserve Bank will--

a. Prepare a full report of the facts disclosed by its investigation;

b. Forward one copy of such report to the Board with its recommendations; and

c. Take no further action against the apparent violator until directed to do so by the Board.

2. If the circumstances warrant, the Board of Governors will direct that a hearing be held at the Federal Reserve Bank to determine whether or not the Registrant's license should be suspended. In connection with any such direction, the Federal Reserve Bank will be furnished with full instructions as to the conduct of the hearing. In general, it is contemplated that the hearing will be conducted by a trial examiner selected for the purpose but independent of the Federal Reserve Bank and that the evidence of the violation will be presented by counsel and other representatives of the Federal Reserve Bank.

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S-497

TELEGRAM

May 28, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

Charge account of partnership and personal charge accounts of individual partners are separate accounts under Regulation W. Therefore default in account of partnership would not of itself create default in personal account of partner and vice versa. However, see section 11(a).

(Signed) L. P. Bethea

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S-498

TELEGRAM

May 28, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

Reference to "charge account" in clause (1) of footnote 5 of Regulation W is a cross-reference to section 6(b) and means a charge account arising in whole or in part from the sale of a listed article. This means that a single-payment loan made on or after May 6 which the Registrant knows was used to retire a charge account arising wholly from the sale of unlisted articles may be renewed or extended under section 7(c)(1) or 7(c)(2) with a final maturity not exceeding twelve months from the date of the original loan.

(Signed) Chester Morrill

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-499

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 29, 1942

Dear Sir:

The following is the text of a telegram sent to a Federal Reserve Bank on May 27, 1942, with reference to charge accounts under Regulation W:

> "Mere fact that all or portion of charge account is considered bad debt and charged off or absorbed in reserve would not relax prohibition of section 5(b) of Regulation W if charge account is in default under section 5(c) and default has not been cured by one of methods in section 5(d). Charge off or absorption in reserve would not abolish 'indebtedness' referred to in section 2(g). However 'indebtedness' under 2(g) does not include indebtedness which is legally unenforceable."

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
WAR
BONDS
AND
STAMPS

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Federal Reserve Bank of St. Louis

S-500

TELEGRAM

May 29, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

Section 4(c) of Regulation W requires instalments of not less than $5.00 per month or $1.25 per week on the aggregate instalment indebtedness of the customer even if the cash price of each of the articles purchased is $6 or less.

(Signed) L. P. Bethea

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Federal Reserve Bank of St. Louis

S-501

TELEGRAM

May 29, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

An overdraft resulting from the drawing of a check is an extension of credit, but in the usual case it is not "in the form of a loan" within the meaning of section 2(i), and therefore is not subject to Regulation W unless used as a means of evasion.

(Signed) L. P. Bethea

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-502

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 3, 1942

Dear Sir:

Recently a question arose as to what should be the policy of the Federal Reserve System with respect to the giving out of information as to the number and amount of applications received and approved for loans and guarantees received pursuant to Executive Order No. 9112, Regulation V, and the instructions issued by the War Department, Navy Department, and Maritime Commission.

Since the Federal Reserve Banks are acting as fiscal agents of the United States in making loans and issuing guarantees on behalf of the above Government agencies, it is felt that no publicity should be given out by the Reserve Banks with respect to operations under the Executive Order unless and until they are requested to give out such information by the respective agencies.

While it is, of course, important that the Reserve Banks do all they can to acquaint the banks and the public with the purposes of the Executive Order and Regulation V and the mechanism provided for facilitating the financing of war production, it is suggested that, when inquiries are received as to the number and amount of applications received, approved, etc., it be made clear that the Reserve System is acting in the capacity of fiscal agent for the armed services and that requests for detailed and statistical information with respect to operations under the Executive Order should be made directly to such services.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
WAR
BONDS
AND
STAMPS

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TELEGRAMS

(Addressed to the Presidents of all Federal Reserve Banks)

S-503
June 3, 1942

Both custom-made and ready-made slip covers are included under section 13(a), Group A, Item 7 as "draperies". Since custom-made slip covers include "yard goods", they are also included under Item 41. Cash price of custom-made slip cover would be the cost to customer of finished product.

(Signed) L. P. Bethea

S-504
June 3, 1942

For the purposes of section 5(c) of Regulation W, the sale of such unlisted articles as water, gas and electricity sold by utility companies is considered to take place on the date on which the meter is read.

(Signed) L. P. Bethea

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Federal Reserve Bank of St. Louis

S-505

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 4, 1942

Dear Sir:

There is enclosed a supply of a new form, Form F. R. 581, for reporting applications for loans and guarantees of loans under Executive Order No. 9112, beginning May 30, 1942. Please submit separate reports for applications for War Department, Navy Department, and Maritime Commission guarantees.

Very truly yours,

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

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
WAR
BONDS
AND
STAMPS

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S-506

TELEGRAM

June 5, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

A pawn transaction in which the pawnor is not under any personal obligation to repay the pawnbroker is not a loan and is not subject to Regulation W. However, the mere fact that the transaction is called a pawn does not mean that it is not subject to Regulation W since there are many so-called pawn transactions which do in fact involve an obligation to repay.

(Signed) L. P. Bethea

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-507

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 6, 1942

Dear Sir:

The following is an excerpt from a letter sent today to a Federal Reserve Bank regarding Regulation W:

> "With respect to the meaning of the phrase 'materials and services' in Group C, the Board said in its telegram of January 30, S-437-b, that the phrase should be interpreted as meaning materials and/or services. However, since the amendment of the Regulation, this statement must be modified to the extent that it would make Group C refer to services alone. The phrase should be interpreted to mean materials, and any delivery, installation, or other services rendered in connection therewith. It seems probable that this is the meaning which has been given to the phrase in practice, and it is in harmony with other parts of the Regulation, particularly section 2(j)."

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-508

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 12, 1942

Dear Sir:

In the Board's letter of May 6, 1942 (S-470) there was quoted an excerpt from a memorandum received from the War Department stating that "where loans guaranteed under Regulation V are to be secured by assignment of contracts the funds may be released in so far as the War Department is concerned immediately upon execution of the assignment by the contractor even though that assignment is not perfected by proper filing until later."

Recently one of the Federal Reserve Banks raised the question whether the principles of this letter are also applicable to Navy Department contracts. In response to an inquiry made by us, we have now received a memorandum on this subject from Mr. S. A. Mitchell, Chief, Finance Section, Navy Department, which contains the following statement:

> "The Navy Department agrees entirely with the attitude taken by the War Department as quoted in Mr. Bethea's letter of May 6, 1942, on the above subject."

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY UNITED STATES WAR BONDS AND STAMPS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-509

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 17, 1942

Dear Sir:

The Board recently received an inquiry relative to the application of Regulation W to the storage, cleaning and glazing, alteration or repair of fur coats. The question is whether, under section 5(c), the account of the customer is in default if charges for these services have not been paid for within the time specified in that section.

The Board is of the opinion that such service is not an "article" (either listed or unlisted) within the meaning of section 5(c), and that therefore the account is not in default where the service is not paid for within the time specified. It is assumed that in these cases the value of any materials used in repairing or altering the coat is insignificant in comparison with the total cost of such services.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY
UNITED
STATES
WAR
BONDS
AND
STAMPS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-510

ADDRESS OFFICIAL CORRESPONDENCE TO THE BOARD

June 17, 1942

Dear Sir:

There is enclosed a copy of Form F. R. 296, revised for use in reporting interest and discount rates in effect on discounts, advances and purchases by the Federal Reserve Banks. A supply of the form is being mailed your Bank under separate cover.

In the interest of reducing to the extent practicable the frequency of submitting reports to the Board, this report should be submitted quarterly hereafter instead of monthly, the first report on the revised form to be submitted as of June 30, 1942.

Very truly yours,

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

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY UNITED STATES WAR BONDS AND STAMPS

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-511

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 17, 1942

Dear Sir:

There is attached hereto for your information a copy of a letter which the Board addressed to a Federal Reserve Bank with respect to the legal authority of Federal Reserve Banks to open deposit accounts for local loan agencies of the Reconstruction Finance Corporation.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY
BUY UNITED STATES WAR BONDS AND STAMPS

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S-511-a

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

Dear Mr. _____:

This refers to your letter of June 9, 1942, raising a question as to the legal authority of your Bank to open an account for the local loan agency of the Reconstruction Finance Corporation. The letter addressed to your Bank from Mr. D. B. Griffin, Assistant Treasurer of the Reconstruction Finance Corporation, a copy of which you enclosed, asks whether there is any objection to opening up accounts at your Bank and branches for Reconstruction Finance Corporation Agency Managers. It is assumed that a similar letter has been sent to all of the other Federal Reserve Banks.

Section 7 of the Reconstruction Finance Corporation Act (page 198 of the Board's edition of the Federal Reserve Act) provides in part that "All moneys of the corporation not otherwise employed may be deposited with the Treasurer of the United States subject to check by authority of the corporation or in any Federal reserve bank, *** . The Federal reserve banks are authorized and directed to act as depositaries, custodians, and fiscal agents for the Reconstruction Finance Corporation in the general performance of its powers conferred by this Act." It is assumed that the funds of the local loan agencies of the Reconstruction Finance Corporation are funds of the corporation and, in the circumstances, we know of no legal reason why the Federal Reserve Banks may not open the accounts described in your letter and its enclosure.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-512

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1942

Dear Sir:

Referring to the Board's letter of September 22, 1941, R-888, there is enclosed for your information a summary of the May 1942 reports of the activities of Federal Reserve Bank liaison officers in connection with the War Savings Program.

Since the monthly reports of the liaison officers appear to have served the purpose for which they were originally intended, they need no longer be submitted to the Board as requested in its letter of September 2, 1941, S-296.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

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

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Federal Reserve Bank of St. Louis

SUMMARY OF MAY 1942 REPORTS OF ACTIVITIES OF FEDERAL RESERVE LIAISON OFFICERS IN CONNECTION WITH THE WAR SAVINGS BOND PROGRAM

Boston

During the month the Liaison Officer continued his campaign for the qualification of large corporations as issuing agents. Letters have been written to nearly all of the larger corporations and personal visits are being made by the Bank's representatives. There are now 133 qualified corporations.

Approximately 310 companies are submitting their applications to the Bank for the issuance of bonds under the pay roll allotment plan. During the month these companies submitted applications for 57,589 bonds bearing a maturity value of $1,705,250.

New York

During the month the campaign to have the large corporations qualify as issuing agents has been continued.

At the end of the month 366 concerns had qualified, ranging from a cemetary association to a construction project operated as a joint venture by four corporations. A county, a city, and a county Treasurer's office have qualified. The eagerness to qualify shown by some corporations has been gratifying. In one case an insurance company having too few employees of its own to qualify, lined up the other tenants in its office building and arranged to issue for them as well.

As an aid in determining their progress in relation to quotas, the State Administrators are being furnished with quarter monthly figures showing sales, by counties, except for New York City, of Series E, F, and G Bonds by all issuing agents with the exception of post offices.

Philadelphia

The number of corporation issuing agents continues to increase and at the present time the Bank has qualified 277 corporations employing approximately 775,000 persons. Of the 37 corporations in the district, each employing 5,000 or more persons, 20 have qualified; 10 are obtaining bonds from their local banks or post offices or are operating under a stamp plan; and of the remaining 7, it is hoped that 2 or 3 will qualify shortly.

The Liaison Officer is keeping in close contact with the State Administrators and is giving every assistance possible in furnishing late figures that are used by them to chart the program toward reaching their quotas.

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Cleveland

Assistance was furnished the Ohio State Administrator in addressing envelopes and a supply of report cards to be used in obtaining the quarter monthly reports from issuing agents.

On May 22, the State Chairman for Ohio called a meeting in Cleveland of several county chairmen from the larger counties of the State and other workers for the purpose of discussing the campaign for increasing employee participation in pay roll savings plans and also to increase the workers' individual subscriptions. This campaign and other related subjects were presented by Messrs. Graves, Sparks, and others from the Washington War Savings Staff. The meeting was attended by the President of the Bank, the Vice President in charge of the Fiscal Agency Department, the Manager of that Department, and the Liaison Officer.

As of the end of the month 5,924 companies in Ohio and Western Pennsylvania, employing approximately 2,300,000 persons, had installed pay roll savings plans. Of these firms, 135 have qualified as issuing agents.

Richmond

As there seems to be considerable resistance on the part of corporations to qualifying as issuing agents, much time has been spent in this effort. While only 90 corporations have qualified, numerous conversations and much correspondence has been had with others in an effort to obtain their qualification.

Letters were written to all qualified issuing agents asking them to make quarterly reports of sales of Series E Bonds to the Administrators and this has entailed considerable correspondence as issuing agents do not appear to have understood the form of report desired and to whom reports are to be made.

Quarter-monthly reports of Series E, F, and G Bonds inscribed by the Head Office and Branches have been sent regularly to the several Administrators in the district.

Atlanta

The principal activity during the month has been a continuation of the endeavor further to enlist corporations as issuing agents. Results have been very good with respect to textile and industrial corporations but railroad and construction company response has been poor.

As a result of approximately 210 letters mailed to corporations, 100 companies have now qualified, and others have signified their intentions to qualify in the future.

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Atlanta (Cont'd)

Aid has been given to county chairmen and various groups in conducting their special campaigns for increasing the sale of War Bonds and Stamps.

At two meetings during the month the Liaison Officer emphasized the importance of purchases of War Bonds by the public.

Chicago

Activities and cooperation with the State Administrators may be summarized as follows: (1) Working out satisfactory quota reports to be furnished to each State Administrator; and (2) Contacting corporations for the purpose of qualifying them as issuing agents.

In connection with item (1), attempts are being made to give each State Administrator the type of report that will fit into his particular plan for keeping County Chairmen advised of sales. It was found that all Administrators are not following the same plan, and it has been necessary to adjust the Bank's reports accordingly.

Considerable time has been spent in assisting the Executive Manager of the Victory Fund Committee in getting his activities under way.

St. Louis

The Bank has continued to intensify its campaign for the qualification of corporations as issuing agents by calling on those previously written and by sending individual letters to additional firms.

During May, 178 calls were made on corporations by four trained men. Branch representatives accompanied them when calls were made in Branch territories. The field men were received in a very courteous manner by corporation executives, many of whom seemed eager to cooperate. During May, 54 corporations qualified, with approximately 57,093 employees.

A letter was addressed to the Under Secretary of the Treasury, soliciting his aid in persuading three parent corporations to adopt the policy of having their branch offices act as issuing agents.

One of the large railroads, with home offices in St. Louis, appealed to the Bank to assist in securing the necessary priorities, through the office of the Secretary of the Treasury, for additional I.B.M. office equipment to be used in handling its pay roll savings plan, which is intended to cover more than 25,000 employees.

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Federal Reserve Bank of St. Louis

Minneapolis

During the month liaison has been maintained with all officers of the War Savings Staff in the district, with an intensification of effort directed toward obtaining 10% or more of employee participation through pay roll deductions.

Kansas City

Special emphasis has been placed on securing the qualification of corporations as issuing agents, with the result that 52 corporations, employing approximately 105,000 persons, have now qualified. Numerous corporations which have credit unions qualified as issuing agents are using such unions as issuing agents.

During the month qualified corporations issued bonds aggregating $112,875, while the Reserve Bank issued, for 151 corporations, bonds aggregating $812,681.25.

Representatives of the Bank and its Branches have cooperated and participated with local committees in pledge campaigns in their respective cities.

Dallas

Continued efforts were made, both by correspondence and personal visitation, to enlist corporations as issuing agents. On May 21, seventy-one corporations had qualified as issuing agents, representing an increase of six over the previous report. In addition, six branches of corporations qualified, the home offices of which are located outside the district.

An article on War Savings Bonds, entitled "Battle Fronts and Home Fronts", was prepared and published in the Bank's monthly business review. Copies of the article were forwarded to the State Administrators.

On May 28, Mr. R. W. Sparks, Field Director of War Savings Staff, Washington, held a meeting in Dallas at which were present the State Administrator of Texas and approximately fifty chairmen of counties in northeast Texas. The meeting was held primarily for the purpose of explaining the necessity of an aggressive campaign to increase sales to meet the new quotas. The Liaison Officer requested those present to explain to corporations with which they come in contact the need for them to qualify as issuing agents, in order to expedite the delivery of bonds.

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San Francisco

The usual liaison has been maintained with various offices of the War Savings Staff in the District and in the Territories of Alaska and Hawaii.

In furtherance of the Treasury's program for having large corporations become issuing agents, in which considerable success has been achieved, an officer of the Bank, in company with Mr. A. L. Mills and Mr. Jonas Touchstone of the Treasury Department, visited certain large aircraft and shipping corporations on the Pacific Coast which were disinclined to undertake the issuing feature.

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Federal Reserve Bank of St. Louis

S-513

TELEGRAM

June 18, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

Regarding question whether pay roll deduction orders may be accepted as down payment required by Regulation W, following general principles are applicable: (1) a pay roll deduction order covering wages not yet earned cannot be accepted as the required down payment; (2) the same is true of an order covering wages earned but not yet payable; (3) a pay roll deduction order covering wages which are earned and payable on demand may be accepted as the required down payment in the same manner as a check on a bank.

(Signed) L. P. Bethea

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Federal Reserve Bank of St. Louis

S-514

273

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 23, 1942.

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 91), 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 91), Publisher's copy of report of condition of State bank member.

Form F. R. 105-i (Schedule A.1, Revised June 1942), Personal loans 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.

There have also been forwarded to you copies of instructions (S-514a) regarding the reporting of reciprocal interbank balances in call reports, and copies of corresponding instructions (S-514b) pertaining to weekly condition reports.

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

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Schedule A.1, "Personal loans and retail instalment paper", has been amended by adding a new item, "Personal single-payment loans". In addition the definition of repair and modernization instalment loans has been revised to make it clear that the amounts included in both subitems should represent the unpaid balances of instalment loans to finance alterations and improvements to existing completed properties.

Form F. R. 105 has been changed in two respects: in Schedule B provision has been made for reporting separately the amounts of Treasury certificates of indebtedness and United States savings bonds; in Schedules D and E provision has been made for reporting in parentheses the gross amounts of reciprocal interbank demand balances with banks in the United States, except private banks and American branches of foreign banks. The reciprocal portions of such balances are required to be excluded hereafter from the amounts of interbank balances reported against item 2 of Schedule D and item 4 of Schedule E. The parenthetical items in Schedules D and E will show the amount of reciprocal balances carried on the call date. The banks' special attention should be called to the enclosed instructions pertaining to the reporting of reciprocal bank balances in call reports. The letter sending out blank forms and instructions for the next call should be so mailed as to reach the banks on or after July 1. It is understood that the Comptroller's office will follow the same schedule in mailing call report forms to national banks.

Weekly condition reports of member banks in leading cities, Form F. R. 416, should also show reciprocal interbank demand balances net beginning with the report as of Wednesday, July 8. We should like to know, however, the extent to which such banks have been reporting reciprocal balances gross and, accordingly, they should be requested to show, in their weekly reports for July 8, the amount of reciprocal demand balances included in both "due from" and "due to" in the preceding weekly report. For this purpose it is suggested that each weekly reporting bank be given a copy of the enclosed instructions pertaining to weekly reports. These instructions should not, however, be sent to the weekly reporting banks until July 1. The amount of the memorandum item reported should be shown in the summary and transcript of weekly condition reports as of July 8 that you send to the Board.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosures 9

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

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Federal Reserve Bank of St. Louis

June 23, 1942

INSTRUCTIONS REGARDING THE REPORTING OF RECIPROCAL INTERBANK BALANCES IN CALL REPORTS OF CONDITION

Beginning with the current call, reciprocal interbank demand deposits with banks in the United States, except private banks and American branches of foreign banks, should be reported net, instead of gross as required heretofore; and the general instructions for the preparation of reports of condition contained in Form F.R. 105a pertaining to item 2 in Schedule D and item 4 in Schedule E are modified accordingly. Reciprocal interbank deposits arise when two banks maintain deposit accounts with each other, i.e., each bank has both a "due from" and a "due to" account with the other bank.

In determining the net amount due from or due to each other bank with which reciprocal deposits are maintained, all demand deposit accounts with each such bank should be combined except (1) accounts that do not include any collected funds but merely represent cash items in process of collection, and (2) balances standing to the credit of a bank's trust department. The reciprocal amount should then be subtracted from "due from" and "due to"; and the amount thus subtracted should be shown in the parenthetical space provided for the purpose following item 2 in Schedule D and item 4 in Schedule E. In other words, the balance due from a bank should be subtracted from both assets and liabilities if it is less than the balance due to the same bank; and vice versa.

Following is an illustration of reciprocal interbank demand accounts: Bank A has a demand deposit of $1,000,000 with Bank B, and Bank B has a demand deposit of $200,000 with Bank A. On a "net" basis, as now required, Bank A will report only $800,000 as due from Bank B and nothing as due to Bank B; conversely, Bank B will report only $800,000 as due to Bank A and nothing as due from Bank A. In addition, both banks will show $200,000 in the parenthetical spaces provided for the purpose following the captions of item 2 in Schedule D and item 4 in Schedule E.

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June 23, 1942

INSTRUCTIONS REGARDING REPORTING OF RECIPROCAL INTERBANK BALANCES IN WEEKLY CONDITION REPORTS

As you have been advised in connection with the current call for condition reports, reciprocal interbank demand deposits with banks in the United States, except private banks and American branches of foreign banks, are to be reported net in call reports of condition, instead of gross as heretofore. The same procedure is to be followed in preparing weekly condition reports, Form F. R. 416, beginning with reports rendered as of Wednesday, July 8, 1942. Reciprocal interbank deposits arise when two banks maintain deposit accounts with each other, i.e., each bank has both a "due from" and a "due to" account with the other bank.

In determining the net amount due from or due to each other bank with which reciprocal deposits are maintained, all demand deposit accounts with each such bank should be combined except (1) accounts that do not include any collected funds but merely represent cash items in process of collection, and (2) balances standing to the credit of a bank's trust department. The reciprocal amount should then be subtracted from "due from" and "due to" items 3-b and 5-d, respectively, in the weekly condition report. In other words, the balance due from a bank should be subtracted from both assets and liabilities if it is less than the balance due to the same bank; and vice versa.

Following is an illustration of reciprocal interbank demand accounts: Bank A has a demand deposit of $1,000,000 with Bank B, and Bank B has a demand deposit of $200,000 with Bank A. On a "net" basis, as now required, Bank A will report only $800,000 as due from Bank B and nothing as due to Bank B; conversely, Bank B will report only $800,000 as due to Bank A and nothing as due from Bank A.

In order to provide statistics showing the effect of the new requirements (that reciprocal bank balances be reported net, instead of gross as heretofore) you are requested to report the amount of the reciprocal portions of demand balances which, on July 1, were included in both "due from" and "due to". These figures should be reported by inserting the following memorandum item at the end of your July 8 report:

"Reciprocal portions of demand balances with banks in the United States, except private banks and American branches of foreign banks, included in both "due from" and "due to", in the report rendered as of July 1, 1942 . . . . . _____"

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TELEGRAMS

(Addressed to the Presidents of all Federal Reserve Banks)

S-515

June 23, 1942

Board does not regard savings passbooks as "investment securities" for purposes of section 8(b) of Regulation W.

(Signed) L. P. Bethea

S-516

June 23, 1942

The word "carrying" in section 8(b) of Regulation W has the same general meaning as in section 3(b) of Regulation U. In effect, this confines "carrying" to the refinancing of indebtedness which was originally incurred for the purpose of purchasing stocks, bonds, or other investment securities. The mere fact that the extension of credit is secured by such investment securities is not sufficient.

(Signed) L. P. Bethea

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Federal Reserve Bank of St. Louis

S-517

TELEGRAM

June 25, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

Pool tables and equipment and bowling pins and balls are included in section 13(a) of Regulation W, Group A, item 33 but bowling alleys are not. Bowling alleys become part of structure in which installed and are not considered "equipment". Bowling alleys installed in commercial establishment would not be covered in Group C.

(Signed) L. P. Bethea

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-518

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 27, 1942

Dear Sir:

The Board has received several inquiries as to the responsibility of a Federal Reserve Bank for sending information concerning Regulation W to branch offices, located in its district, of Registrants which have their main offices in other Federal Reserve districts and which have themselves registered with the Federal Reserve Banks of those districts.

It is our understanding that the Reserve Banks have not made a general practice of sending information to branch offices either within or without their districts but that in some cases a branch office has made a special request to the nearest Reserve Bank asking that it be put on that Bank's mailing list to facilitate prompt receipt of information. This flexible procedure seems to be working out satisfactorily and in accord with the wishes of the Registrants.

A related but distinct question that has been raised is whether a Reserve Bank, in the case of any Registration Statement reporting branches in another Federal Reserve district, should send the Reserve Bank in that district a list of those that are located there. After considerable study of this matter, it has been decided to recommend that this be done--because the Reserve Bank of the district in which the branches are located, being responsible for the enforcement of the regulation in that district, will wish to know about the credit outlets in its area. This does not mean, of course, that any special mailing list of these branches need be maintained by any Reserve Bank.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

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Federal Reserve Bank of St. Louis

S-519

TELEGRAM

June 29, 1942

(Addressed to the Presidents of all Federal Reserve Banks)

The phrase "residential building" in section 8(a) of Regulation W does not include a houseboat or a trailer, although there may be unusual cases where it would apply as, for example, where the wheels have been taken off the trailer and it has been attached to a permanent foundation.

(Signed) L. P. Bethea

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-520

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 30, 1942

Dear Sir:

At a recent meeting between representatives of the War Department, the Navy Department, the Maritime Commission, and the Board of Governors, consideration was given to the type and scope of reports which should be submitted pursuant to Section 4 of instructions of the War Department and Section 3 of instructions of the Navy Department and the Maritime Commission, issued pursuant to Executive Order No. 9112, in addition to those required on regular report forms or at the time of the making or guaranteeing of loans.

Pursuant to the agreements arrived at at the meeting, it will be appreciated if you will furnish us for transmission to the War Department, the Navy Department, or the Maritime Commission, as the case may be, telegraphic notification of:

1. Any demand for purchase under Section 1 of Guarantee Agreement. Loan may be identified by giving name of borrower and number assigned on Form F. R. 577.

2. Any request under Section 4 of Guarantee Agreement. You will be advised promptly as to whether consent will be given by the guarantor pursuant to such a request.

3. Request for adjustment under Section 5 or 6 of Guarantee Agreement. Each computation made pursuant to such a request should be furnished promptly by mail (air mail, if necessary) so that the proper agency may check the computation to the extent deemed necessary. Such computation should in the case of prime contracts give the number of the contract and the service that executed the contract. In the case of subcontracts, to the extent possible the pertinent prime contract involved should be identified as well as the service making it.

FOR VICTORY
BUY
UNITED
STATES
WAR
BONDS
AND
STAMPS

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It will also be appreciated if you will furnish prompt written notification of:

1. Any material default in the payment of principal or interest on any loan made or guaranteed on behalf of the War Department, the Navy Department, or the Maritime Commission. Such notice to include the proposed method of handling by the Reserve Bank. A monthly report should be submitted giving the status of each loan in material default at the end of the report month.

2. Any material unfavorable change of which you have received advice pursuant to the requirements of Section 8 of the Guarantee Agreement.

3. Any change in the holder of the borrower's obligation.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-521

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 30, 1942

Dear Sir:

Referring to the Board's letter S-464 of April 23, 1942, experience in handling applications for guarantees made pursuant to Executive Order 9112 has impressed the War Department, Navy Department, Maritime Commission, and the Board's War Loans Committee with the necessity of having the applications of financing institutions for guarantees submitted on substantially uniform forms by all Federal Reserve Banks. It is important that in all cases the forms used contain the same numbered captions and that any needed information not called for by captions numbered 1 to 11 be obtained as supplemental information. It is assumed that supplemental information will be required only in unusual cases and that it will be kept at a minimum. The form enclosed with the Board's letter S-464 has been modified by the insertion of two new items as follows:

9.(a)(3)a. Is contract a -
Fixed price contract? _____.
Cost plus a fixed fee contract? _____.

12. The applicant for the loan herein referred to has been advised that financing institution is applying for this guarantee in the amount and subject to the terms herein indicated.

A copy of the form as revised is enclosed.

In the case of the War Department and Maritime Commission, three copies of the application should be furnished by the financing institution, one copy to be retained by the Federal Reserve Bank and two copies to be forwarded to Washington. As a general rule, the copies forwarded to Washington should be supported by two copies of the Federal Reserve Bank's investigation and recommendations.

In the case of Navy Department guarantees, the same procedure should be followed as indicated above, except that the Federal Reserve Bank should forward to Washington a copy of the application immediately

FOR VICTORY BUY UNITED STATES WAR BONDS AND STAMPS

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upon receipt thereof in order to allow the Department ample time for processing without delaying final action on the guarantee. One copy of the application should be submitted later supported by two copies of the Reserve Bank's investigation and recommendations.

In urgent cases, applications for guarantees may be handled by wire, followed by supporting information by mail.

Section 1 of the copies of guarantee agreements forwarded to Washington should contain an adequate description of the loan, including the date, maturity, and amount of the loan, and the interest rate charged the borrower.

All advices to financing institutions with respect to guarantee agreements should provide that the authorization to guarantee is effective for a period of 30 days only and that unless extended it will lapse if the guarantee is not executed within such period.

In the case of Navy Department guarantees, the procedure outlined in paragraph 3 of the Board's letter of May 23, 1942, S-486, is only applicable if the contracts of the borrower are subcontracts. In the case of prime contracts the Navy Department will secure the necessary information direct thereby eliminating the necessity for any action in this regard by the Federal Reserve Banks.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Federal Reserve Bank of St. Louis

S-521-a
(Superseding S-464-a)

APPLICATION BY FINANCING INSTITUTION
TO FEDERAL RESERVE BANK OF _____, FISCAL AGENT OF THE UNITED STATES,
FOR GUARANTEE OF LOAN, PURSUANT TO EXECUTIVE ORDER NO. 9112
DATED MARCH 26, 1942

1. Name and location of financing institution

2. Name and location of applicant for loan

3. Amount of loan applied for

4. Percentage of loan to be guaranteed

5. (a) Rate of interest to be charged Borrower

   (b) Maturity of proposed loan

   (c) Other terms and conditions of loan

6. Description of collateral, if any

7. War products to be supplied by applicant for loan

8. Purposes for which funds will be used

9. (a) If applicant for loan is a prime Government contractor, give the following information with respect to each prime contract:

   (1) Unit of Government with which the prime contract is held

   (2) Name, title and address of Government contracting officer

   (3) Contract number

      a. Is contract a -
         Fixed price contract? _____.
         Cost plus a fixed fee contract? _____.

   (4) Amount of contract and approximate per cent completed

   (5) Date of first and last delivery

   (b) If applicant for loan is a subcontractor, give the following information with respect to each subcontract:

   (1) Name and address of concern with which applicant for loan has a subcontract or order for supplying war products

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(2) Name and address of prime Government contractor for whom products are being produced

(3) Unit of Government for which products are being provided

(4) Amount of applicant's subcontract or purchase order and approximate per cent completed

(5) Date of first and last delivery

10. General statement by financing institution with respect to the applicant's ability to perform the above contracts; the general character, reputation, and capability of the applicant; normal type and volume of production; and any other information which the financing institution would ordinarily take into account in considering a loan to the applicant.

11. Copy of audited balance sheet and operating statement for the last fiscal period of Borrower and copy of latest available balance sheet and of latest available interim operating statement should accompany application. (If audited reports for the last fiscal period are not available, furnish balance sheet and statement of earnings and expenses for that period properly certified.)

12. The applicant for the loan herein referred to has been advised that financing institution is applying for this guarantee in the amount and subject to the terms herein indicated.

_____
(Full name of financing institution)

By _____
(Signature) (Title)

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