

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, December 26, 1946.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Evans

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

Mr. Vardaman's office reported that he was absent from the city on official business, visiting Federal Reserve Banks and Branches in the south, southeastern, and southwestern parts of the United States.

Memorandum dated December 17, 1946, from Mr. Carpenter, recommending that the designation of Miss Beatrice Hunter, Supervisor in the Files Section, be changed to Assistant Chief of that Section, effective December 29, 1946, and that increases in the basic annual salaries of the following employees in the Secretary's Office be approved effective December 29, 1946:

| <u>Name</u>       | <u>Designation</u>        | <u>Salary Increase</u> |            |
|-------------------|---------------------------|------------------------|------------|
|                   |                           | <u>From</u>            | <u>To</u>  |
| E. Betz Poeppel   | Chief, Files Section      | \$4,902.00             | \$5,152.80 |
| Beatrice Hunter   | Supervisor, Files Section | 3,146.40               | 3,397.20   |
| Hazel H. Pye      | File Clerk                | 2,469.24               | 2,619.72   |
| Gladys W. Wallace | File Clerk                | 2,257.20               | 2,394.00   |

Approved unanimously.

Memorandum dated December 9, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Charles H. Schmidt as an economist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$4,902 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

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The memorandum also stated that it was contemplated that Mr. Schmidt would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated December 16, 1946, from Mr. Millard, Assistant Director of the Division of Examinations, recommending that the resignation of Melvin McIlwain, an Assistant Federal Reserve Examiner in that Division, be accepted to become effective, in accordance with his request, at the close of business December 31, 1946, with the understanding that a lump sum payment would be made for annual leave remaining to his credit at that time.

Approved unanimously.

Memorandum dated December 23, 1946, from the Division of Personnel Administration, recommending, in accordance with changes made in the Board of Governors Plan, Federal Reserve Retirement System, that payment of \$221.54 be made to the Federal Reserve Retirement System to liquidate the liability resulting from the military service of Donald A. Hurst, a Clerk in the Division of Administrative Services.

Approved unanimously.

Memorandum dated December 23, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that increases in the basic annual salaries of the following employees in that Division be approved, effective December 29, 1946:

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| <u>Name</u>        | <u>Designation</u>                        | <u>Salary Increase</u> |            |
|--------------------|---|------------------------|------------|
|                    |   | <u>From</u>            | <u>To</u>  |
| Stanley J. Bloch   | Foreman Operator<br>(Duplicating Devices) | \$3,397.20             | \$3,522.60 |
| Walter L. Peregory | Operator (Duplicating Devices)            | 2,845.44               | 3,021.00   |
| Flora J. Griffith  | Chief Telephone Operator                  | 2,619.72               | 2,694.96   |
| Nelson S. Dyson    | Operator (Duplicating Devices)            | 2,469.24               | 2,544.48   |
| William Gardner    | Chauffeur                                 | 2,168.28               | 2,243.52   |

Approved unanimously.

Memorandum dated December 20, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Miss Kathleen T. Gallagher, a stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business December 31, 1946.

Approved unanimously.

Letter dated December 24, 1946, to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Boston, made as of September 16, 1946, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished President Whittemore.

"The examiner has informed the Board that in making his usual review of questionnaires submitted by employees, he noted that Mr. Joseph S. Blanchard, of the Money Department, is Treasurer of the Watertown Democratic Committee, and that Mr. William O. Hauser, of the Reconstruction Finance Corporation-Custodian Division, is Assessor of the Town of Arlington, Massachusetts. Although the Board's resolution of December 23, 1915, regarding the holding of political or public office, referred only to directors and officers of Federal Reserve Banks, the Board has taken the position that the principle involved also applies to employees of Federal Reserve Banks.

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"On the basis of the information available, it seems quite probable that the office in the political committee held by Mr. Blanchard is inconsistent with that resolution. It also appears probable, particularly in view of the salary which the office of the Assessor carries, that the position held by Mr. Hauser may be likewise inconsistent with that resolution. Unless you have some further information which may indicate the contrary, it is felt that appropriate steps should be taken to bring about the discontinuance of these relationships within a reasonable time.

"The Board will appreciate advice that the report has been considered by the board of directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

Letter to Mr. Douglas, Vice President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of New York, consisting of the establishment of four new positions, as submitted with your letter of December 21, 1946."

Approved unanimously.

Letter dated December 24, 1946, to Mr. McCabe, Federal Reserve Agent of the Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the request contained in Mr. Williams' letter of December 17, 1946, the Board of Governors approves, effective January 1, 1947, the appointment of Mr. J. Frank Rehfuss as Assistant Federal Reserve Agent, at his present salary of \$6,985, to succeed Mr. Richard G. Wilgus.

"This approval is given with the understanding that Mr. Rehfuss will remain on the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Board of Governors for the proper performance of his duties. When not engaged in the performance of his duties as Assistant Federal

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Reserve Agent he may, with the approval of the Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Assistant Federal Reserve Agent.

"Mr. Rehfuss should execute the usual oath of office which should be forwarded to the Board."

Approved unanimously.

Letter to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of December 17, 1946, advising of the appointments of Robert N. Hilkert as Vice President and Richard G. Wilgus as Assistant Cashier, effective January 1, 1947. Accordingly, the Board of Governors approves the payment of salaries to these officers for the period from January 1, 1947, through April 30, 1947, as follows:

| <u>Name</u>       | <u>Title</u>      | <u>Annual Salary</u> |
|-------------------|-------------------|----------------------|
| Robert N. Hilkert | Vice President    | \$10,000             |
| Richard G. Wilgus | Assistant Cashier | 7,500"               |

Approved unanimously.

Letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Cleveland for the period January 1, 1947, through April 30, 1947, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of December 12, 1946, and telegram of December 26:

| <u>Name</u>         | <u>Title</u>                    | <u>Annual Salary</u> |
|---------------------|---------------------------------|----------------------|
|                     | <u>Head Office</u>              |                      |
| P. C. Stetzelberger | Assistant Vice President        | \$7,200              |
| J. B. Anderson      | Assistant Cashier               | 6,450                |
| G. H. Emde          | Assistant Cashier               | 7,000                |
| J. R. Lowe          | Assistant Cashier               | 6,100                |
| Joseph M. Miller    | Assistant Cashier               | 6,100                |
| Geo. R. Ross        | Assistant Cashier               | 6,100                |
| L. M. Hostetler     | Manager, Research<br>Department | 7,000                |
| W. T. Blair         | Secretary                       | 7,250                |

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| <u>Name</u>      | <u>Title</u>             | <u>Annual Salary</u> |
|------------------|--------------------------|----------------------|
|                  | <u>Cincinnati Branch</u> |                      |
| Salmon Brown     | Assistant Cashier        | \$7,000              |
| P. J. Geers      | Assistant Cashier        | 7,200                |
| R. G. Johnson    | Assistant Cashier        | 7,300                |
|                  | <u>Pittsburgh Branch</u> |                      |
| H. Nolte         | Assistant Cashier        | 6,800                |
| J. A. Schmidt    | Assistant Cashier        | 7,250                |
| R. J. Steinbrink | Assistant Cashier        | 7,000"               |

Approved unanimously.

Letter dated December 24, 1946, to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of December 18, 1946, the Board approves the appointment of Claude C. Armfield, Jr. as an assistant examiner for the Federal Reserve Bank of Richmond. If the appointment is not made effective January 1, 1947, as planned, please advise us."

Approved unanimously.

Letter dated December 24, 1946, to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Atlanta for the period from January 1, 1947, through May 31, 1947, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of December 16, 1946:

| <u>Name</u>      | <u>Title</u>               | <u>Annual Salary</u> |
|------------------|----------------------------|----------------------|
|                  | <u>Head Office</u>         |                      |
| Earle L. Rauber  | Director of Research       | \$8,500              |
|                  | <u>Birmingham Branch</u>   |                      |
| P. L. T. Beavers | Vice President and Manager | 8,500                |
| H. J. Urquhart   | Cashier                    | 5,800                |
| Leo W. Starr     | Assistant Cashier          | 4,800                |

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| <u>Name</u>         | <u>Title</u>               | <u>Annual Salary</u> |
|---------------------|----------------------------|----------------------|
|                     | <u>Jacksonville Branch</u> |                      |
| T. A. Lanford       | Vice President and Manager | \$8,000              |
| T. C. Clark         | Cashier                    | 6,000                |
| J. Wyly Snyder      | Assistant Cashier          | 4,800                |
|                     | <u>Nashville Branch</u>    |                      |
| Joel B. Fort, Jr.   | Vice President and Manager | 8,000                |
|                     | <u>New Orleans Branch</u>  |                      |
| E. P. Paris         | Vice President and Manager | 12,000               |
| Lawrence Y. Chapman | Assistant Cashier          | 5,100                |
| F. C. Vasterling    | Assistant Cashier          | 4,800                |

Approved unanimously.

Letter dated December 24, 1946, to Mr. Weigel, Assistant Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the change in the personnel classification plan of the Federal Reserve Bank of St. Louis and its Branches, consisting of the establishment of the position of Assistant Head of Department, Money Department, Memphis Branch, as submitted with your letter of December 17, 1946."

Approved unanimously.

Telegram dated December 23, 1946, to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"Your wire December 21. Board approves continuance in active service of A. F. Bailey as Vice President in charge of Little Rock Branch for period January 1 through April 30, 1947, and payment of his salary at present rate during that period. Board also approves payment of salary to C. M. Stewart at present rate as Vice President in charge of Little Rock Branch for the period May 1 through May 30, 1947."

Approved unanimously.

Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

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"Reference is made to your letter of December 19, 1946, regarding the action taken by your board of directors in approving the continuance in service of Mr. Joseph Kennedy, Section Supervisor in the Fiscal Agency Department, from January 1 to June 30, 1947.

"In view of the circumstances mentioned in your letter the Board approves the payment of salary to Mr. Kennedy for the above period of service."

Approved unanimously.

Letter to the board of directors of the "Farmers and Stockmens Bank, of Valier, Montana", Valier, Montana, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Minneapolis.

Approved unanimously, for transmission through the Federal Reserve Bank of Minneapolis.

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

"In view of the recommendation contained in your letter of December 19, 1946, the Board of Governors extends to March 7, 1947, the time within which the Bank of Sheridan, Sheridan, Montana, may accomplish membership."

Approved unanimously.

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

"Reference is made to your letter of December 17, 1946, submitting certified copies of resolutions adopted by the board of directors of the Union Trust Company of the District of Columbia, Washington, D. C., signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice usually required.



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"In view of your recommendation, the Board of Governors waives the usual requirement of six months' notice, as requested. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Union Trust Company of the District of Columbia, the Federal Reserve Bank is authorized to cancel such stock and make appropriate refund thereon. It is noted that the bank has made application to the Federal Deposit Insurance Corporation for continuation of insurance as a non-member bank and has adopted a resolution stipulating that its withdrawal from membership shall become effective concurrently with approval of the application for insurance. In this connection attention is called to the fact that the bank will have four months from the date of this letter to accomplish termination of its membership (F.R.L.S. #3548).

"Please advise the Board of Governors when cancellation is effective and refund is made. The Certificate of Membership issued to the bank should also be obtained, if possible, and forwarded to the Board. The Comptroller of the Currency should be advised promptly when the bank's withdrawal from membership has been effected and given the reasons therefor, if desired."

Approved unanimously.

Telegram dated December 24, 1946, to Mr. Grady, Chairman of the Federal Reserve Bank of San Francisco, stating that, subject to the conditions set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "Old National Corporation", Spokane, Washington, entitling such organization to vote the stock which it owns or controls of "The Old National Bank of Spokane", Spokane, Washington, and the "First National Bank in Spokane", Spokane, Washington, at all meetings of shareholders of such banks, and that the period within which a permit may be issued pursuant to the authorization contained in the telegram is limited to 30 days unless an extension of time is granted by the Board. The

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condition contained in the telegram upon which the permit was authorized was as follows:

"That, prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter X-9385 (F.R.L.S. #7190), except that (a) paragraphs numbered 1, 2, 4, and 5 shall be omitted and remaining numbered paragraphs appropriately renumbered, and (b) all lettered paragraphs and introductory sentences immediately preceding them shall be omitted."

Approved unanimously.

Letter dated December 24, 1946, to Mr. Joseph R. Fitzpatrick, Vice President of The Second National Bank of Washington, Washington, D. C., reading as follows:

"This refers to your letter of December 11, 1946, regarding Regulation U.

"You are correct in your understanding that under the present regulation the original purpose of a loan is controlling. In other words, if a loan originally is not for the purpose of purchasing or carrying registered stocks, changes in the collateral for the loan do not change its exempted character.

"However, a so-called increase in the loan is necessarily on an entirely different basis. So far as the purpose of the credit is concerned, it is a new loan, and the question of whether or not it is subject to the regulation must be determined accordingly.

"Certain facts should also be mentioned regarding the determination of the purpose of a loan. Section 3(a) provides in that connection that 'a bank may rely upon a statement with respect thereto, accepted by the bank in good faith, signed by an officer of the bank or by the borrower.' The requirement of 'good faith' is of vital importance here. Its application will necessarily vary with the facts of the particular case, but it is clear that the bank must be alert to the circumstances surrounding the loan. For example, if the loan is to be made to a customer who is not a broker or dealer in securities, but such a broker or dealer is to deliver registered stocks to secure the loan or is to receive the proceeds of the loan, the bank would be put on notice that the loan would probably be

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"subject to the regulation. It could not accept in good faith a statement to the contrary without obtaining a reliable and satisfactory explanation of the situation.

"Furthermore, the 'purpose' of a loan means just that. It cannot be altered by some temporary application of the proceeds. For example, if a borrower is to purchase Government securities with the proceeds of a loan, but is soon thereafter to sell such securities and replace them with registered stocks, the loan is clearly for the purpose of purchasing or carrying registered stocks."

Approved unanimously.

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

"A Summary of Regulation W Enforcement Reports for the month of November 1946 is enclosed.

"The reports indicate that house-to-house peddlers, jewelry stores and clothing stores continued to present some of the more serious enforcement problems. It is likely that most of these problems will have been eliminated as a consequence of the revised regulation. Automobile dealers, sales finance companies, furniture stores and small loan companies represented areas in which enforcement problems were encountered in one or more districts.

"Comments of the respective Banks indicate that the revision was generally well received in affected trade circles. Some of the Banks reported some considerable expressions of displeasure and disappointment on the part of organizations in various fields of activity where extensions of credit will no longer be subject to the provisions of the regulation. These sources indicated their belief that uninhibited competition in terms would be injurious to them individually and harmful to the consumer credit structure generally. On the other hand, a number of automobile dealers have expressed their view that the present 15 months maximum maturity is or soon will be unduly restrictive. A rapid deterioration of the terms structure has been reported in some areas particularly in the case of jewelry stores and house-to-house peddlers. Information thus far available indicates that department stores throughout the country do not contemplate early relaxation of charge sale credit.

"The Board will continue to be interested in trade reaction as it develops and will appreciate additional information in this connection."

Approved unanimously.

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

"Because of printing difficulties certain of the designated guide books will not be delivered by January 1, 1947. The Board has therefore postponed the effective date of the designation, with the result that the guide books are not required to be used for the purposes of Regulation W until on and after January 15, 1947, and the maximum credit value until that time will be based on the cash price only. Please give such publicity to this ruling as you deem advisable. We are notifying all guide book publishers.

"The Board is today issuing the following press statement for immediate release:

'Regulation W as revised effective December 1, 1946, provided (Part 4 of the Supplement) that, after January 1, 1947, the credit value of a used automobile would be based on the cash purchase price or the "appraisal guide value," whichever is the lower. In this connection, the Board on December 16, 1946, designated certain appraisal guide books for use for the purposes of Regulation W.

'Because of printing difficulties certain of the designated guide books will not be delivered by January 1, 1947. The Board has therefore postponed the effective date of the designation, with the result that the guide books are not required to be used for the purposes of Regulation W until on and after January 15, 1947, and the maximum credit value until that time will be based on the cash purchase price only.'"

Approved unanimously.

Telegram dated December 24, 1946, to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"Re your telegram of December 16, S-939 has not been modified up to the present time but we believe article you describe is a cabinet sink, in other words a sink with cabinet built in as an integral part. This unit would be regarded as a plumbing fixture since the sink would be the principal component, and it would not be considered as included in any of the classifications of listed articles."

Approved unanimously.

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Letter dated December 24, 1946, to the Honorable Robert A. Taft,  
United States Senate, reading as follows:

"This is with reference to your letter of December 17, 1946, enclosing a letter to you from Mr. Roger E. Keller, 2338 May Street, Cincinnati 6, Ohio, relative to the Board's Regulation W.

"The regulation was revised effective December 1, 1946, and we believe that you and your correspondent may be interested in the enclosed copies of the November 15 statement to the press which announced the revision. You will note that the terms now generally applicable are one-third down (one-fifth down in the case of furniture) and 15 months to pay the balance.

"Although these terms do not appear to be particularly onerous, we realize that there will be some people, veterans among them, who will be unable to buy certain things they are anxious to obtain. It is by no means clear that these people would be able to obtain the goods if the regulation were relaxed or removed, since there is a limited supply and some way of getting the goods away from others who have more cash would have to be found. But we feel confident that a liberal credit policy at this time would be much against the interest of this group in view of the high prices and the danger that they might later find themselves in an over-extended debt position.

"We appreciate the opportunity you have afforded us to comment on Mr. Keller's letter which is returned to you herewith."

Approved unanimously.

Letter dated December 24, 1946, to Mr. G. A. Leukhart, General Manager, National Used Car Market Report, Inc., 1315 South Michigan Avenue, Chicago 5, Illinois, reading as follows:

"This is in reply to your letter of November 30, 1946, in which you inquire about certain terms of Regulation W in connection with the designation of appraisal guides.

"New or used trucks, or passenger cars designed for the purpose of transporting 10 or more passengers, are not 'listed articles' under Regulation W, and there is, therefore, no occasion for the designation of appraisal guides in connection with them.

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"The amount of '\$2,000' in the definition of 'instalment sale' in section 8(h)(5) of Regulation W refers to the principal amount of the instalment credit, and not to the cash price of the article. The 'principal amount' means the difference between the cash price of the article and the down payment. Thus, the extension of credit arising from the sale of a listed article is subject to the terms of Regulation W if the principal amount is \$2,000 or less, regardless of whether the cash price of the listed article is more or less than \$2,000.

"Your other question, about the year models to be covered in the designation, was answered in our letter of December 13. If you have further questions about the terms of Regulation W you may find it convenient to inquire at the Federal Reserve Bank of Chicago, which is informed on these matters.

"Thank you for your cooperation."

Approved unanimously.

Letter to Mr. L. A. Blanchard, Assistant to the Chairman, Federal Interdepartmental Safety Council, Washington, D. C., reading as follows:

"The Board of Governors has designated Mr. J. E. Kelleher, Assistant to Director, Division of Administrative Services, to serve as its representative on the Federal Interdepartmental Safety Council. This advice supersedes that contained in the Board's letter of February 24, 1945, addressed to Mr. J. M. Peterman as Secretary of the Council, designating Mr. Fred A. Nelson, formerly Assistant Director, Division of Administrative Services, to serve in that capacity."

Approved unanimously.

Letter signed by Mr. Ransom to the Honorable W. L. Clayton, Under Secretary for Economic Affairs, Department of State, reading as follows:

"In the absence of Mr. Eccles, I should like to acknowledge receipt of your letter of December 20, 1946, requesting the designation of a representative

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"of the Federal Reserve System to serve on the joint American-Philippine Financial Commission.

"We greatly appreciate this invitation and desire to name Mr. John Exter to represent the System on the Commission. It is our understanding that, according to present plans, the work of the Commission will not require Mr. Exter's absence from Washington for more than four months."

Approved unanimously in accordance with action taken at a meeting of the Board on September 9, 1946, with the understanding that Mr. Exter would be absent from Washington from about January 9 to May 1, and that his travelling expenses and per diem while absent from Washington would be paid by the State Department, while his salary would continue to be paid by the Board.

Memorandum dated December 23, 1946, from Mr. Hooff, Assistant Counsel, recommending that there be published in the law department of the January issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Consumer Credit

Credits Extended before December 1, 1946

Conversion of Non-Instalment Credit to Instalment Basis

Regulation T

Exercise of Rights to Subscribe

Transactions of Customers Who Are Brokers or Dealers

Regulation U

Determination and Effect of Purpose of Loan

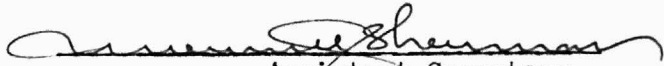
Foreign Funds Control

Treasury Department Releases

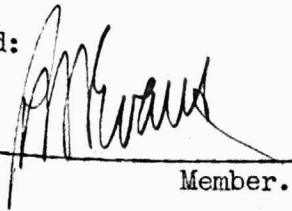
Approved unanimously.

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Assistant Secretary.

Approved:

  
Member.