

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 1, 1949. The Board met in the Board Room at 2:50 p.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division of Bank Operations
Mr. Young, Associate Director of the Division of Research and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Lewis, Chief of the Consumer Instalment Credit Section of the Division of Bank Operations
Mr. Pawley, Division of Bank Operations

Reference was made to a memorandum addressed to Chairman McCabe from Edgar F. Kaiser, Vice President and General Manager of Kaiser-Frazer Corporation. The memorandum referred to the informal discussion which Mr. Kaiser had with Chairman McCabe and some other members of the Board late yesterday afternoon with respect to Regulation W, Consumer Instalment Credit, and, among other things, it urged that the Board take action to relax the Regulation along the lines previously pressed by Kaiser-Frazer Corporation.

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The memorandum was read and Mr. Szymczak stated that it was undoubtedly for the purpose of making a record, and that he felt consideration of an amendment to the Regulation involved consideration also of the response to be made to Mr. Kaiser's memorandum.

In a discussion of this point Mr. Vest expressed the opinion that there was nothing in the letter that required a reply on the part of the Board and that he was doubtful that the Board should make a reply.

At the conclusion of the discussion it was agreed that no reply should be made.

Chairman McCabe then referred to the recommendation made by the staff committee on Regulation W at the meeting of February 21 that the Regulation be amended to provide for maturities of 18 months on Group A and B articles and unclassified loans, and for a reduction in the down payment on Group B articles from 20 to 15 per cent. He stated that he felt the Board should give further consideration to the informal understanding reached at that meeting that such an amendment to the Regulation be adopted and he called upon Mr. Leonard to present his current views with respect to revision of the Regulation.

Mr. Leonard stated that, although the staff group had not had an opportunity to consider the matter, the members of his

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division who worked on Regulation W were agreed that the amendment should provide a maturity of 21 months on Group A and B articles and on unclassified loans, and a reduction in the down payment on Group B articles from 20 to 15 per cent. He also recommended that Section 7(g) which exempted credits for the purchase of entire residential buildings be amended to exempt credits for the purchase of entire residential units such as house boats, house trailers, and cooperative apartments, and, if maturities were extended as recommended, that Part 3 of the supplement to the Regulation be amended to provide for a maximum maturity of 24 months for any refinancing pursuant to a statement of changed conditions.

Consideration was given to a number of other forms the liberalization of the Regulation might take. During the discussion Mr. Clayton stated that he would like to see the Regulation amended at this time to provide for maturities of 18 months for both Group A and B articles and for a down payment of 15 per cent for Group B articles but that, for reasons which he discussed, he felt a greater liberalization of maturity provisions for Group A articles was not justified at the present time.

Mr. Eccles stated that he felt that action at this time would be premature.

The other members of the Board indicated that they would favor the amendments proposed by Mr. Leonard.

Chairman McCabe suggested that the matter be given further consideration over night and that another meeting be held at

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11:30 a.m. tomorrow morning for the purpose of taking final action on the amendments.

Mr. McCabe's suggestion was approved unanimously.

At this point Messrs. Riefler, Thomas, Vest, Leonard, Young, Solomon, Lewis, and Pawley withdrew and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 28, 1949, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on February 28, 1949, were approved unanimously.

Memorandum dated February 25, 1949, from Mr. Nelson, Director of the Division of Personnel Administration, recommending that the basic annual salary of Miss M. Callie Wickline, nurse in that Division, be increased from \$3,476.40 to \$3,601.80 per annum, effective March 6, 1949.

Approved unanimously.

Memoranda from Mr. Bethea, Director of the Division of Administrative Services, recommending that the following employees of that Division be appointed on a permanent basis to be effective

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as of the expiration of their temporary appointments at the close of business on the dates indicated below:

<u>Date of Memo.</u>	<u>Name</u>	<u>Title</u>	<u>Salary</u>	<u>Expiration of appointment.</u>
2/28/49	Mrs. Ida C. Sutphin	Cafeteria helper	\$2,020	3/ 7/49
3/ 1/49	Miss Jane Hamill	Cafeteria helper	2,020	3/10/49

Approved unanimously.

Letter prepared for Chairman McCabe's signature to the Honorable Wright Patman, Chairman, Select Committee on Small Business, House of Representatives, reading as follows:

"This refers to your letter of February 21 which arrived on February 24 and which requests certain opinions and information with respect to Regulation W.

"The Board, of course, is glad to supply any opinions and information that it can and to lend every possible assistance to your Committee. We are having the material referred to in your letter assembled in the form you request and we will be pleased to send it to you as quickly as possible."

Approved unanimously.

Letter prepared for Chairman McCabe's signature to the Honorable Wright Patman, House of Representatives, reading as follows:

"In response to your letter of February 22 in regard to the regulation of consumer instalment credit, I regret to find that you apparently misunderstood my reference to the excerpts from unsolicited letters which we have received. I mentioned these only incidentally in connection with the principal purpose of my letter which was, as stated, 'to assure you again that the Board is watching the situation most carefully and will give utmost consideration to your views, as well as to other pertinent facts. As I told you last Monday, we are in the

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"process of analyzing the latest reports from our field offices as well as those gathered from all sections of the country, together with the latest views I brought back from my trip."

"The viewpoints of those seeking a change in or the elimination of the regulation have been presented not only to you but also to us, especially by or through large organizations, many of whom are fundamentally opposed to any form of Governmental regulation. It seemed likely that there had not been brought to your attention other points of view that had been expressed to us in unsolicited communications. If the regulation had not had some effect in accomplishing its purposes we might not have heard from either side.

"I know that with your long experience in Congress you do not give weight only to organized campaigns for presenting one side of an issue and that you have always been willing to give consideration to different points of view. It was merely with this thought in mind that I felt that you would be interested in knowing such viewpoints as expressed to us, and since they were unsolicited expressions of the writers' personal views it would not seem appropriate for us to release their names.

"May I again assure you that all decisions of the Board in connection with the regulation are aimed at achieving the greatest benefit for the entire country."

Approved unanimously.

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

"This refers to your letter of February 7, 1949, transmitting copies of the report of examination of Northwest Bancorporation, Minneapolis, Minnesota, as of November 29, 1948, and requesting that we advise you whether the Board has any objection to your furnishing a copy of the report to Mr. C. B. Upham, District Chief National Bank Examiner.

"It is noted that national bank examiners participated in the examination of the holding company and made a simultaneous examination of Northwestern National Bank of Minneapolis. In the circumstances,

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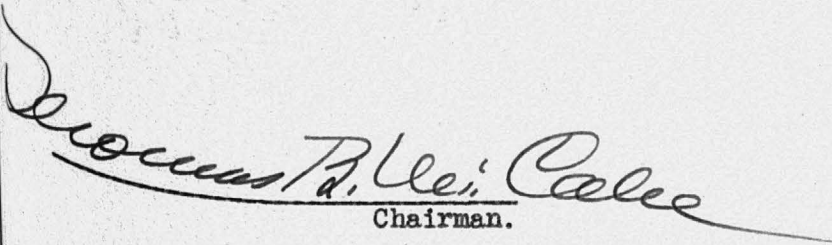
"you are authorized to furnish a copy of the report of examination of the holding company to the Chief National Bank Examiner at Minneapolis, if he requests it, for his confidential information and use.

"It is suggested that, at the time of the transmission of the report to the District Chief National Bank Examiner, you inform him that the report will not be submitted to Northwest Bancorporation, in order that he may govern himself accordingly in the confidential use of the report."

Approved unanimously.


Secretary.

Approved:


Chairman.