

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 7, 1949.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 6, 1949, were approved unanimously.

Telegram to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the following special condition, the Board approves the application of "The Peachtree Trust Company", Atlanta, Georgia, for membership in the Federal Reserve System, and for the appropriate amount of stock in the Federal Reserve Bank of Atlanta, effective if and when the bank is authorized to commence business by the appropriate State authorities:

"3. At the time of admission to membership such bank shall have a paid-up and unimpaired capital stock of not less than \$100,000 and other capital funds of not less than \$75,000."

The telegram contained the following additional statement:

"It has been noted that the bank possesses authority to exercise fiduciary powers, but does

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"not contemplate the exercise of such powers. Attention is called to the fact that if the bank should in the future desire to exercise fiduciary powers, it will be necessary, under condition of membership numbered 1, to obtain the permission of the Board of Governors before doing so."

Approved unanimously.

Letter to Mr. McCormick, Chairman at the Federal Reserve Bank of Richmond, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Richmond, made as of January 5, 1949, 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 left for President Leach.

"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. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

"This refers to your letters of March 22 and 24, 1949, requesting advice as to the Board's views concerning H. R. 2436 and S. 686, substantially identical bills to provide more liberal housing credit for veterans.

"Under the proposed legislation, the Administrator of Veterans Affairs would be authorized until June 30, 1952, to purchase home loans guaranteed under section 501 of the Servicemen's Readjustment Act of 1944, provided that, among other conditions, the sellers certified that they would recommit amounts equal to the proceeds of the sales to the making of new loans to eligible veterans at not over 4 per cent interest.

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"The Administrator also would be authorized until June 30, 1951, to make 4 per cent direct loans to veterans unable to obtain GI home loans from private lending sources at that interest rate. The Secretary of the Treasury would be directed to provide up to \$800,000,000 for the purchase of loans, and \$500,000,000 for direct loans, with specified limits on the amounts available each fiscal year. In addition, the bills would repeal section 505(a) of the Servicemen's Readjustment Act of 1944, which authorizes the Administrator of Veterans Affairs to guarantee second mortgage loans, and would amend the National Housing Act to provide that the Federal National Mortgage Association should purchase no GI loans and no other loans bearing over 4 per cent interest.

"The proposed legislation is designed to make more credit available to veterans on very liberal terms to finance the purchase of homes. It makes no distinction between old and new houses and, therefore, is not designed essentially to promote new construction. Departing from the established practice of Government guarantees and insurance of loans to facilitate the purchase of homes, this proposal would set a precedent by authorizing direct Government loans to veterans for this purpose. It might be expected that a large percentage of the direct loans would be full purchase price loans, and it would appear that, in other respects, such legislation might give further impetus to the purchase of homes without down payments.

"The Board is fully sympathetic to the desire of veterans to acquire homes and to a policy of assisting veterans to obtain needed financing on a sound basis. It believes, however, that the interests of veterans are not served by a liberalization of credit for housing at high prices, which encourages them to assume excessive financial burdens which they may not be able to carry. By authorizing the extension of a large amount of Government mortgage credit, this proposal would tend to delay desirable readjustments in building costs and housing prices. With present inflated prices, the liberalization of housing credit carries with it greater potentialities of ultimate default; and the dangers increase as inflation in housing runs its course."

Approved, Mr. Vardaman not  
voting.



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Letter to the Honorable Tom Connally, United States Senate,  
reading as follows:

"The enclosed letter dated March 21 from Mr. J. B. Caldwell of the Caldwell Motor Company, Paris, Texas, was received with your memorandum of March 30. Mr. Caldwell objects to the requirement of Regulation W concerning the use of designated appraisal guides in arriving at the maximum credit value for the installment sale of used automobiles and urges that the minimum down payment for used automobiles be one-third of the selling price.

"This was also the subject of his letter of March 3, which was received with your memorandum of March 19. There is little on the subject that we can add to our letter of March 28 which was written in response to your memorandum. A copy of our previous letter is enclosed."

Approved unanimously.

Letter to Miss Florence Helm, Acting Chief, Division of  
Research and Statistics, Federal Deposit Insurance Corporation,  
reading as follows:

"In reply to your letter of March 10, 1949, we shall be glad to make available to your office the reports of condition of State member banks in the Federal Reserve System as of December 31, 1948 for the tabulations described in your letter, under the same conditions as those outlined in the Board's letter of March 30, 1945 to your office, enclosing a copy of the letter of the same date to Mr. Norman J. Wall of the Department of Agriculture, namely: (1) That the Bureau of Agricultural Economics of the Department of Agriculture will not publish the figures obtained therefrom, or make them available except for official use within the Department, in a manner that would disclose figures for any county or size group containing less than three insured commercial banks; (2) that the tabulation to be made for the Agricultural Department of the American Bankers Association is for the confidential use of the Association; and (3) that no figures for any county will

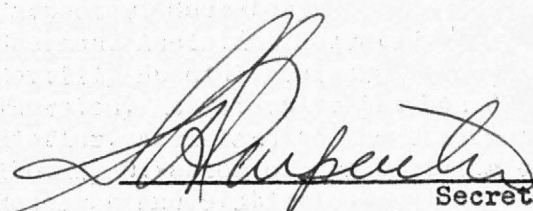
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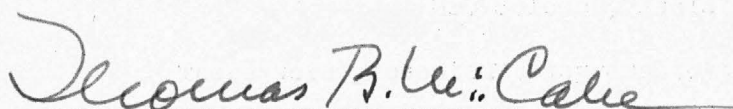
"be made available to the Association if there are less than three insured commercial banks in the county.

"During this project you may also place on punch cards the asset and capital account items you requested for your confidential use in making studies concerning the condition of all insured commercial banks."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.