

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 14, 1949.

PRESENT: Mr. Szymczak, Chairman pro tem.  
Mr. Draper  
Mr. Clayton

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

Memorandum dated April 13, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective April 17, 1949:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Katharyne P. Reil (Mrs.)	Economist	\$5,106.60	\$5,232.00
Paul H. Banner	Economist	4,605.00	4,730.40
Ruth D. Stone (Mrs.)	Secretary	3,351.00	3,476.40
Mary Florence Miller	Clerk	2,724.00	2,799.24

Approved unanimously.

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

"Reference is made to your letter of April 8, 1949, submitting the request of The Cleveland Trust Company, Cleveland, Ohio, for permission to establish a branch at 15710 Broadway in Maple Heights, Ohio.

"It is understood that approval of the appropriate State authorities has been obtained and in view of your recommendation the Board of Governors approves the establishment and operation of a branch at 15710 Broadway in Maple Heights, Ohio, by The Cleveland Trust Company, Cleveland, Ohio, provided such branch is established within six months of the date

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"of this letter and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of the steps taken to establish the branch."

Approved unanimously.

Letter to Mr. Louis H. Mann, Guy, Warder & Mann, 917 Fifteenth Street, N. W., Washington 5, D. C., reading as follows:

"This refers to your letter of April 6, 1949, concerning whether the proposed excise tax on the issuance of automobile certificates of title contained in the District of Columbia sales tax bill now pending before Congress, could be included properly as a part of the 'cash price' of an automobile under Regulation W.

"In the form in which it passed the House of Representatives, Title III of the bill in question (H. R. 3704) levies the tax 'in the case of sale or resale' of an automobile. Should the bill become law in this form, such tax would fall within the phrase 'any applicable sales taxes' in the definition of 'cash price' in section 8(h)(7) of the regulation and also within the same phrase as used in Part 4 of the Supplement to the regulation. Therefore, such tax could be included properly as part of the purchase price of an automobile for the purposes of establishing the down payment and monthly instalments under Regulation W.

"You also inquire whether the personal property tax which must be paid at the time of obtaining license tags and the fees for title certificate and license tags may be included properly as part of the 'cash price' of the automobile to which they relate for the purpose of the regulation.

"The Board has taken the position that taxes and fees payable as a prerequisite to obtaining license tags or plates may be included in the 'cash price' of the automobile and may be added in computing the 'appraisal guide value' under Part 4 of the Supplement to the regulation.

"A copy of the regulation and the amendments thereto are enclosed herewith."

Approved unanimously.

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Letter prepared for Chairman McCabe's signature to the Honorable John W. Snyder, Secretary of the Treasury, reading as follows:

"I have your letter of April 4, 1949, stating that you wish to procure our views with respect to the disposition of the amount of \$27,546,310.97 paid by the Treasury to the Federal Reserve Banks under section 13b of the Federal Reserve Act and with respect to the disposition of the unexpended balance of \$111,753,246.02 now held on the Treasury's books in the appropriation account pursuant to this section of the law. As you indicate in your letter, S. 408, a bill which was introduced in the 80th Congress to provide a revised authority for the guarantee of business loans by Federal Reserve Banks, included a provision requiring the Federal Reserve Banks to pay to the United States the amount (\$27,546,310.97) which the Secretary of the Treasury has heretofore paid to the Reserve Banks under section 13b. By providing for the repeal of the section, this bill also would have eliminated the provision for the appropriation on the books of the Treasury to which you refer.

"The Board now has under consideration the advisability of again recommending to Congress legislation to amend section 13b of the Federal Reserve Act, relating to industrial loans and commitments by Federal Reserve Banks, so as to provide a more effective authority to the Reserve Banks in this field. In any such legislation which it might propose, the Board would wish to include a provision for the payment to the Treasury of the amount heretofore paid to the Reserve Banks by the Treasury under section 13b and, if you wish, would be glad to see included in any such bill whatever you might feel to be necessary with respect to the disposition of the unexpended balance of the appropriation authorized by section 13b and now held on the Treasury's books. It is our view, however, that provision for the disposition of these funds should be treated together with and made a part of legislation to liberalize and make more effective the present authority of the Reserve Banks regarding industrial loans. We would, of course, welcome the endorsement of the Treasury with respect to

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"such legislation, if and when proposed, and hope that a proposal can be worked out in form which will have your support not only with respect to the disposition of the funds referred to but also with respect to a liberalized authority of the Federal Reserve Banks in providing financial assistance to business enterprises.

"I would like to discuss this with you sometime at your convenience."

Approved unanimously.

Letter to Mr. Roger W. Jones, Director, Legislative Reference, Bureau of the Budget, reading as follows:

"This refers to your letter of April 6, 1949, to Chairman McCabe, requesting advice as to the Board's views with respect to S. 1175, a bill 'To amend the Home Owners' Loan Act of 1933 with respect to mutual savings banks.'

"The second paragraph of subsection (i) of section 5 of the Home Owners' Loan Act of 1933, as amended, authorizes any Federal savings and loan association to convert into a State savings and loan institution upon a vote of its shareholders and subject to various other requirements and conditions. S. 1175 would amend this paragraph to authorize such associations also to convert into State mutual savings banks, subject to the additional condition that such a conversion shall not be effective unless the Federal Deposit Insurance Corporation has accepted the converting institution as an insured bank. The Federal law now provides that State mutual savings banks which are members of the Federal Home Loan Bank System may convert into Federal savings and loan associations, and the proposed legislation is designed to make reciprocal provision for the conversion of such associations into State mutual savings banks.

"This legislation would have no significant effect in so far as the Federal Reserve System is concerned and we have no objection to its enactment. We suggest, however, that the proviso on page 4 of the bill be amended to read as follows: 'Provided, further, That no association shall so convert into a mutual savings bank unless, upon the conversion, such mutual savings

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"bank will be an insured bank within the meaning of section 12B of the Federal Reserve Act.' A converting institution might become an insured bank either by approval for insurance by the Federal Deposit Insurance Corporation or by admission to membership in the Federal Reserve System with the approval of this Board, and the purpose of our suggested amendment is to avoid the necessity for approval by both the Federal Deposit Insurance Corporation and this Board in any case in which the converting institution is admitted to membership.

"It is noted that the proposed report of the Federal Deposit Insurance Corporation, which was enclosed with your letter, recommends certain additional provisos relating to the effect of conversions upon insurance and insurance assessments. If our suggested amendment is adopted, corresponding changes will be necessary in the first of these provisos; and it also would appear desirable to make it clear that this proviso applies to conversions under the third, as well as the second, paragraph of subsection (1) of section 5 of the Home Owners' Loan Act of 1933."

Approved unanimously.

Letter prepared for Chairman McCabe's signature to Mr. Charles T. Treadway, Jr., President of The Connecticut Bankers Association, Care Bristol Bank & Trust Company, Bristol, Connecticut, reading as follows:

"I appreciate very much and I am bringing to the attention of the other members of the Board your letter of March 29, 1949, with which you enclosed a copy of the letter forwarded by you to each member of the Congressional delegation from Connecticut with respect to the proposed reorganization act now pending before the Congress.

"As you perhaps know, the Board has taken no position in connection with this matter other than to favor the proposal that the President be given adequate authority to reorganize the Federal departments and agencies of the Government to accomplish the objectives

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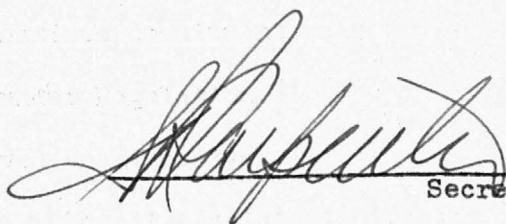
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"for which the Hoover Commission was appointed. It has not advocated in any way that the Board be given any special treatment in the reorganization bill."

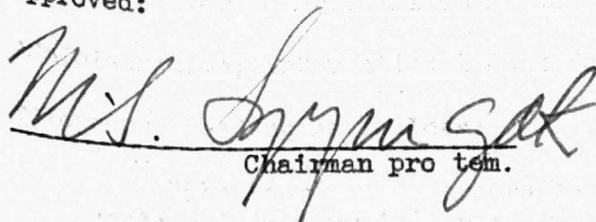
Approved unanimously.

Memorandum dated April 11, 1949, recommending that Mr. Smead, former Director of the Division of Bank Operations, be reimbursed for travel expenses which might be incurred for a trip to be made to Philadelphia in the near future for the purpose of discussing with Mr. Whittier, Chairman of the Federal Reserve Bank of Philadelphia, the possibility of Mr. Smead assisting the Special Committee on Budget Procedure.

Approved unanimously, with the understanding that Mr. Smead would be reimbursed in accordance with the Board's travel regulations on either an actual expense basis, or a per diem basis at a rate not to exceed \$8.

  
Secretary.

Approved:

  
Chairman pro tem.