

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 15, 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

Telegrams to the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on April 12, 1949, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on April 14, 1949, of the rates of discount and purchase in their existing schedules, except that in the case of Kansas City the Board approves, effective April 16, 1949, elimination of special maximum commitment rate on loans under Section 13b guaranteed under Regulation V.

Approved unanimously.

Letter to Mr. William F. Howell, Assistant Director of Administration, International Bank for Reconstruction and Development, reading as follows:

"The Board of Governors has approved the request contained in your letter of April 8 for the services of Mr. J. Herbert Furth, Chief of the Central and

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"Eastern European Section of the Division of Research and Statistics, to serve as a consultant to your Treasurer, Mr. D. Crena de Iongh, for a period not to exceed six weeks plus the necessary travel time from France to the United States, starting June 5, 1949. It is expected that Mr. Furth will assist Mr. Crena de Iongh in a study of the German economy and its effect on the economy and finance of member countries of the International Bank.

"It is understood that the International Bank will bear the cost of travel, per diem, and travel insurance. It is also understood that Mr. Furth's salary will be paid by the Board of Governors during this period."

Approved unanimously.

Memorandum dated April 14, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, stating that during his forthcoming absence Mr. Young, Associate Director of the Division of Research and Statistics, will be in charge, and recommending that Mr. Guy E. Noyes and Miss Susan S. Burr of that Division be authorized during brief periods of absence by Mr. Young to sign for the head of the Division all reports, vouchers, and memoranda normally requiring the signature of the head of the Division.

Approved unanimously.

Letter to Mr. Sheehan, Chief Examiner at the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of March 17, 1949 and enclosures, as well as a copy of your Memorandum to Files, dated April 5, 1949, describing plans of The National City Bank of New York to operate an armored truck service from its branch at San Juan, Puerto Rico.

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"On the basis of all the information which you have submitted to the Board it appears that the service referred to is the usual armored truck service of delivering cash for payrolls and picking up deposits. In these circumstances, such activity would not constitute branch banking."

Approved unanimously.

Telegram to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"For your information, Organization Division of Comptroller's Office has advised Board's Division of Examinations by telephone that First National Bank of Arizona and Phoenix Savings Bank & Trust Company are considering statutory consolidation under national bank's charter, and that First National Bank of Arizona had requested Comptroller's Office to inquire informally as to Board's attitude regarding issuance of necessary voting permit. In discussion of matter, Division of Examinations merely described usual procedure under which any holding company affiliate desiring a voting permit should submit application through Federal Reserve Bank for action by Board in light of all pertinent information and recommendation of Reserve Bank. It will be appreciated if you will pass this information on to Townsend."

Approved unanimously.

Letter to Mr. Walter C. Warner, Acting Manager of the Credit Department at the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of March 28, 1949, and its enclosures, concerning the application of Regulation W to a proposed transaction between the Municipal Credit Union of New York City and one of its member-borrowers.

"The question raised by the above correspondence is whether the unpaid balance of a pre-September 20, 1948, instalment loan, originally in the sum of \$2,000 payable

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"in 50 months for the purchase of an automobile, constitutes an extension of credit subject to Regulation W if the Registrant who made and holds the loan discharges or cancels the chattel mortgage covering the automobile and takes in lieu thereof a new chattel mortgage covering a similar automobile purchased elsewhere by the borrower, apparently for cash, with the proceeds from the sale of the first automobile. It is understood that the original loan agreement, which has approximately 43 months yet to run and which will continue to be secured by a 100 per cent wage assignment executed by the borrower at the time of such agreement, would not otherwise be changed or modified by this proposed transaction, nor would such transaction or the form of cancellation or discharge of the first chattel mortgage indicate in any way payment of the original loan.

"On the basis of the facts presented, the Board's view is that such transaction would not effect an extension of credit subject to the regulation where it appears, as in this case, that the transaction would be negotiated in good faith and not in pursuance of the agreement or understanding at the time of the original loan agreement, and where the transaction would not otherwise indicate or involve an arrangement for the avoidance or circumvention of the regulation."

Approved unanimously.

Telegram to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reurtel April 13, 1949, concerning application of Regulation W to instalment sale of automobile based on bona fide delivered price at Registrant's place of business, rather than factory delivered price, where Registrant supplies purchaser with air passage to factory to collect automobile as sales inducement, air passage being less than freight from factory to Registrant's establishment.

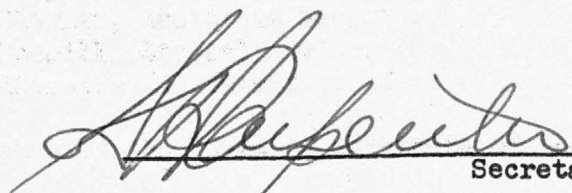
"On the basis of the facts presented, transaction would not appear, in the Board's view, to be contrary to regulation or interpretation W-41. Cases of this nature, however, suggest importance of good faith of

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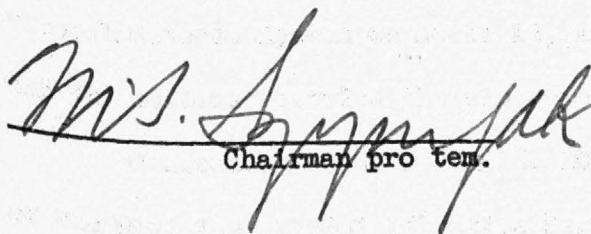
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"the parties. For example, it is assumed that in the case presented the excess of freight transportation over the cost of air passage is not used for purposes of evasion as prohibited in W-41 and the third paragraph of interpretation No. 972, Regulation W Service."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.