

8/23/50 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, August 23, 1950.

Banking PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Draper
Mr. Evans
Mr. Vardaman

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 22, 1950, were approved unanimously.

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

"In accordance with the request contained in your letter of August 18, 1950, the Board approves the appointment of Robert C. Thoman as an assistant examiner for the Federal Reserve Bank of New York. Please advise us of the date when the appointment is made effective."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"Your letter of July 25, 1950 with respect to the request of the National Security Resources Board that Mr. Stead devote some time to consulting with them on the problem of manpower mobilization has been brought to the attention of the Board. The Board will interpose no objection to Mr. Stead serving in this capacity, it being understood that the amount of his time that would be taken on the assignment would not be such as to interfere with his work at the Federal Reserve Bank of St. Louis."

Approved unanimously.

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Letter to Honorable Brent Spence, Chairman, Committee on Banking and Currency, House of Representatives, Washington, D. C., reading as follows:

"In connection with the Conference consideration of H. R. 9176, the proposed Defense Production Act of 1950, the Board wishes to call attention to one provision relating to real estate construction credit controls which is contained in the House version of the bill and which the Board believes is undesirable, at least in its present form.

"This provision is subsection (e) of section 501 of the bill as passed by the House and reads as follows:

'(e) Any rules, regulations, or orders for real estate credit shall not restrict loans made by private lenders to any percentage of value or maturity less than the maximum authorized for any loans of like classifications authorized to be made, insured, or guaranteed by the Government or any Government-owned agency or instrumentality, nor shall any rule, regulation, or order otherwise discriminate in favor of Government loans or Government insured or guaranteed loans against private loans.'

"The bill as passed by the Senate does not contain any comparable provision.

"If the administration of real estate construction credit controls is placed in the Board, as contemplated by the Senate version of the bill, the Board, in regulating private credit, would of course take into account the maximum loan values and maximum maturities permissible under the programs of the Federal Housing Administration, Veterans Administration, and the various agricultural credit agencies. However, such a strict requirement as that contained in the above-quoted provision would be entirely impractical in the administration of the law. It would seem to mean that it would be necessary to establish a long schedule of maximum loan values and maximum maturities applicable in a large number of varying circumstances in order to conform to the Government credit programs in all particulars or at least not be more restrictive in any respect. This would call for a detailed tabulation

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"which would not only be quite unsatisfactory from an administrative standpoint but, more importantly, would make it very difficult for the persons affected by the regulations to be certain whether they were complying with the requirements.

"If in reconciling the differences between the Senate and House versions of the bill, it is decided that the bill should contain some provision of this nature, the Board believes that the provision should go no further than to state that it is the sense of the Congress that, in so far as may be practical in the judgment of the Board (or the President, if the authority to issue the regulations is vested in him), regulations for private real estate construction credit should not be more restrictive than those applicable to the Government programs. A draft of such a provision is enclosed."

Approved unanimously, together
with a similar letter to Honorable
Burnet R. Maybank, Chairman, Committee
on Banking and Currency, United States
Senate, Washington, D. C.

Telegram to Mr. McLarin, President of the Federal Reserve
Bank of Atlanta, reading as follows:

"Retel August 23, Board approves effective August 24, 1950, rates of 1-3/4 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/4 per cent on advances under Section 10(b); 2-3/4 per cent on advances to individuals, partnerships, and corporations other than member banks under last paragraph of Section 13; minimum buying rate of 1-3/4 per cent on bankers' acceptances including resale agreements; and minimum buying rate of 2 per cent on trade acceptances. Otherwise Board of Governors approves establishment by your Bank, without change, of rates of discount and purchase in existing schedule. Board will announce change in discount rate after 4 PM EDT today."

Approved unanimously.

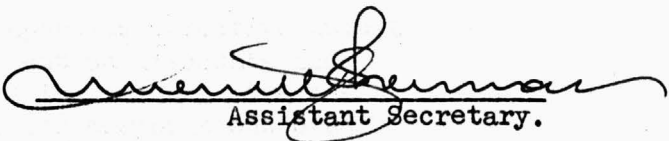
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Telegram to Mr. O'Kane, General Counsel of the Federal Reserve Bank of San Francisco, reading as follows:

"Retel August 23, Board approves effective August 24, 1950, rates of 1-3/4 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/4 per cent on advances to member banks under Section 10(b); 1-3/4 per cent on advances to Federal Intermediate Credit Banks; minimum buying rate of 1-3/4 per cent on bankers' acceptances, including resale agreements; minimum buying rate on purchases of Government securities under resale agreement of 1/8 per cent above average issuing rate on most recent issue of United States Treasury bills, as authorized by Federal Open Market Committee March 1, 1950. Otherwise Board of Governors approves establishment by your Bank, without change, of rates of discount and purchase in existing schedule. Board will announce change in discount rate after 4 PM EDT today."

Approved unanimously.


Assistant Secretary.