

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, September 1, 1950. The Board met in the Board Room at 3:05 p.m.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Evans
Mr. Norton
Mr. Powell

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser to the Board
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Leonard, Director, Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Millard, Director, Division of
Examinations
Mr. Young, Director, Division of Research
and Statistics
Mr. Solomon, Assistant General Counsel
Mr. Fauver, Administrative Assistant
to the Chairman
Mr. Shay, Assistant Counsel
Mr. Pawley, Economist, Division of
Research and Statistics

Mr. Lewis, Assistant Vice President, Federal Reserve Bank of St. Louis, and Mr. Heath, Assistant Cashier and Assistant Secretary, Federal Reserve Bank of Chicago, who were assisting the Board's staff temporarily in connection with consumer credit activities, and Mr. E. M. Fisher, Consultant to the Board assisting in connection with the regulation of real estate credit, were also present.

There were presented telegrams to the Federal Reserve Banks of Chicago, St. Louis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on August 29, by the Federal Reserve Bank of St. Louis on August 30, and by the Federal Reserve Banks of Kansas City,

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Chicago, and Dallas on August 31, 1950, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Leonard stated that the Conference Report submitted yesterday afternoon on the Defense Production Act of 1950 contained a statement on page 36 with respect to the regulation of consumer credit indicating that it was the intention of the Congress that loans against share accounts in savings and loan associations and savings accounts in savings banks should not be subject to the regulation to be issued by the Board. He stated that this presented the question of the nature of the exemption of such loans from the provisions of the Regulation. It was his recommendation that the Board exempt from the terms of the regulation any credits which were secured by share accounts or savings accounts in savings and loan associations, savings or commercial banks, credit unions, and other similar institutions.

Following a discussion, it was agreed unanimously that a provision along the lines suggested by Mr. Leonard should be included in the draft of regulation which the staff had been requested to prepare for consideration by the Board.

There followed a discussion of the procedure for sending a draft of the regulation to the Federal Reserve Banks so that it might be printed and distributed as rapidly as possible when the Defense Production Act of 1950 was signed during which Mr. Carpenter suggested that the Federal Reserve Banks be notified by telegram that drafts of the regulation would be sent to them tomorrow and that they should

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be regarded as confidential until the Board advised them of the final terms adopted in the regulation and authorized its distribution.

Thereupon, upon motion by Mr. Evans, the following wire to all Federal Reserve Banks was approved unanimously:

"Board has agreed upon a draft of a new Regulation W, to be adopted upon signing of the bill by President. It is not known at this time when that will be. However, we understand that it will probably be by first part of week.

"We will advise you as soon as we have more definite information.

"We plan to air mail photo offset negatives to you tomorrow in order for you to print and distribute the Regulation to interested persons in your district.

"The negatives will include alternative cover pages, one showing effective date September 11, the other September 18.

"We will also wire you as soon as possible the text of press release which will be issued regarding the regulation. We will advise you later which effective date will apply and when regulation is to be released to public. Please maintain confidential until that time.

"The Board appreciates the information and advice which the Reserve Banks furnished and which has been most helpful in the preparation of the regulation."

Mr. Leonard raised the question whether he should now inform Mr. Frentz, Assistant Commissioner of the Federal Housing Administration in charge of Title I, of the proposed terms that would be applied by the Board to home improvement loans under the consumer credit regulation so that that Agency could be considering a reduction in the maturity permitted for such loans to be insured under the Federal Housing Act. Mr. Leonard was authorized to follow this procedure.

Messrs. Lewis, Pawley, Shay, and Heath withdrew from the meeting at this point.

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Chairman McCabe stated that he had been giving consideration to Board members' assignments and that he expected to submit his recommendations for the consideration of the Board at a meeting Tuesday. In the meantime, because of the pressure for decisions in connection with the real estate regulation, he suggested that Mr. Norton be asked to take the assignment for initial consideration of matters with respect to the real estate credit regulation, with the understanding that he would consult with such members of the staff as he wished and submit to the Board next week a suggestion for the procedure to be followed and the kind of organization to be set up for handling the regulation of credit in this field.

This suggestion was approved unanimously.

Mr. Riefler stated that he and Mr. Vest had been working with representatives of other interested agencies on the language of the executive order to carry out the arrangement which he outlined at the meeting of the Board on August 30, 1950, under which authority to issue, with the concurrence of the Housing Administrator, regulations relating to real estate construction credit in the conventional market would be delegated to the Board of Governors and authority to reduce or suspend activities under the Government housing programs would be delegated to the Housing Administrator with the understanding that he would take such actions as were necessary, to apply to the extent

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practicable the same restrictions to the Government programs as were applied by the Board's regulation to the conventional residential mortgage market. Mr. Riefler said an agreement on form had not yet been reached, that it was desirable that the language be agreed to this afternoon, and that he would suggest that he and Mr. Vest be authorized to agree to language which would in substance carry out the arrangement outlined at the meeting of the Board on August 30, 1950.

This suggestion was approved unanimously.

Mr. Riefler referred to the meetings he had been attending at the White House in connection with the regulation of real estate credit and stated that a preliminary draft of statement of policy, which could serve as a working guide for agencies having to do with such regulation, had been prepared at the suggestion of the White House Staff and that they were anxious to have some indication this afternoon as to whether the Board felt the statement was satisfactory as a general guide at this stage. One purpose of the memorandum, he said, was to find out the attitude of the agencies that might be concerned with the regulation and to determine before issuance of the executive order the major areas of disagreement as to how the law should be administered.

During the ensuing discussion, Mr. Riefler read the draft of statement which had been prepared.

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Mr. Vest said that, should the Board be given the responsibility for preparing and issuing a real estate credit regulation, any indication by the Board that it agreed with such a memorandum might make it difficult for the Board to depart from the program in the future without obtaining the agreement of the other agencies concerned, including the Executive office of the President, the Housing and Home Finance Agency, the Veterans Administration, the Farmers' Home Administration, and the Department of Commerce.

Mr. Riefler stated that it was not a question of final approval of a program, that he had been asked whether he could advise the White House representatives sometime this afternoon as to whether the Board would look favorably upon the proposed memorandum as a general guide, that he felt the statement was generally satisfactory, and that he did not feel it would be necessary or desirable for the Board to raise questions about the general content of the statement at this time since it was phrased in broad terms as an indication of policies that the several agencies would expect to follow but which were subject to change later on. Mr. Riefler also said that at the present time it appeared that the White House would wish to have the Board take the lead in policy making in connection with drafting and issuing real estate credit regulations, subject to concurrence by the Housing and Home Finance Agency.

Chairman McCabe withdrew from the meeting at this point.

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In a further discussion, Mr. Vest suggested that the Board might indicate that it had received the memorandum, that it appeared to represent the views of the staff, but that the Board had not had an opportunity to consider the kind of regulation it would issue if given responsibility for issuing one and would therefore have to reserve to itself the right to determine its policy after study of the matter.

Mr. Riefler responded that the memorandum was intended as a general guide and that there was no suggestion that it was a firm document, and that he felt the Board might authorize him to say that on a first reading the memorandum seemed reasonably satisfactory, and that so far as the Board could see at the present time it could serve satisfactorily as a general guide for the agencies drafting a regulation for the control of real estate credit.

This suggestion was discussed and approved unanimously.

Secretary's Note: The statement read by Mr. Riefler was in substance the "Statement of Policy for Control of Real Estate Credit", received by the Board from Mr. Steelman, Assistant to the President, with his letter of September 7, 1950, which has been placed in the Board's files.

At this point all of the members of the staff with the exception of Messrs. Carpenter and Sherman withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 31, 1950, were approved unanimously.

Memorandum dated August 31, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending that, to fill an anticipated vacancy, Mrs. Gertrude E. Booth, a stenographer in the office of Mr. Draper, be transferred to the Division of Administrative Services as a stenographer, with no change in her present basic salary of \$3,035 per annum, effective September 1, 1950.

Approved unanimously.

Memorandum dated August 31, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Miss Katherine Robinson, a page in that Division, be accepted to be effective, in accordance with her request, at the close of business September 1, 1950.

Approved unanimously.

Memorandum dated September 1, 1950, from Mr. Norton, recommending that Mrs. Anne I. Cotten, Secretary to Mr. Nelson in the Division of Personnel Administration, be transferred to the position of Secretary to Mr. Norton, with no change in her present basic salary of \$5,300 per annum, effective September 3, 1950.

Approved unanimously.

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Memorandum dated August 30, 1950, from Mr. Vardaman, recommending an increase in the basic salary of Fletcher E. Brown, a messenger in Mr. Vardaman's office, from \$2,690 to \$2,770 per annum, effective September 3, 1950.

Approved unanimously.

Memorandum dated August 25, 1950, from Mr. Vest, General Counsel, recommending an increase in the basic salary of Howard H. Hackley, Assistant Counsel in the Legal Division, from \$9,200 to \$9,400 per annum, effective September 3, 1950.

Approved unanimously.

Memorandum dated August 30, 1950, from Mr. Szymczak, recommending an increase in the basic salary of Fredrick L. Frost, a messenger in Mr. Szymczak's office, from \$2,610 to \$2,690 per annum, effective September 3, 1950.

Approved unanimously.

Memorandum dated August 30, 1950, from Mr. Thurston, recommending an increase in the basic salary of Bishop B. Hart, a messenger in Mr. Thurston's office, from \$2,770 to \$2,850 per annum, effective September 3, 1950.

Approved unanimously.

Memorandum dated August 31, 1950, from Mr. Carpenter, Secretary of the Board, recommending increases in the basic annual salaries of the following employees in the Office of the Secretary, effective September 3, 1950:

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| <u>Name</u> | <u>Title</u> | <u>Salary Increase</u> | |
|-------------------|---------------|------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| Mildred E. Pilger | Supervisor | \$3,450 | \$3,700 |
| Cornelia A. Bates | Records Clerk | 3,195 | 3,355 |
| Helen E. Cook | Records Clerk | 3,130 | 3,275 |

Approved unanimously.

Memorandum dated August 31, 1950, from Mr. Carpenter, Secretary of the Board, recommending increases in the basic annual salaries of the following employees in the Office of the Secretary, effective September 3, 1950:

| <u>Name</u> | <u>Title</u> | <u>Salary Increase</u> | |
|---------------------|---------------|------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| Loretta D. Beale | Records Clerk | \$3,275 | \$3,355 |
| Frances A. Velebir | Records Clerk | 3,195 | 3,275 |
| Pearl G. Farrington | File Clerk | 2,970 | 3,050 |
| Margaret J. Molster | Records Clerk | 2,955 | 3,035 |
| Jeannette E. Devlin | File Clerk | 2,890 | 2,970 |
| Frances A. Burton | File Clerk | 2,690 | 2,770 |
| Marjorie Kidd | File Clerk | 2,610 | 2,690 |
| Mabel E. Wike | File Clerk | 2,530 | 2,610 |

Approved unanimously.

Letter to Mr. Shepard, Federal Reserve Agent of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in Mr. Peyton's letter of August 29, 1950, the Board of Governors approves, effective September 1, 1950, the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated:

| <u>Name</u> | <u>Title</u> | <u>Annual Salary</u> |
|--------------|--|----------------------|
| L. W. Powell | Helena Branch Federal Reserve Agent's Representative | \$4,300 |
| Steve Surman | Federal Reserve Agent's Representative | \$4,300" |

Approved unanimously.

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Memorandum dated September 1, 1950, from Mr. Carpenter, Secretary of the Board, recommending that the Board authorize the payment of the costs of the refreshments and music for the informal reception to be held in the cafeteria from 4 to 5 p.m. on Tuesday afternoon, September 5, for Messrs. Norton and Powell, and that the appropriate item in the budget of the Division of Administrative Services be increased to cover the costs.

Approved unanimously.


Secretary.