

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, September 13, 1950.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 12, 1950, were approved unanimously.

Memorandum dated September 7, 1950, from Mr. Norton, recommending, effective immediately, the appointment of Charles T. Fisher, Jr., as Administrator of the newly created Office of Real Estate Credit, with compensation at the rate of \$50 per day for each day Mr. Fisher is away from Detroit in connection with this assignment, and his reimbursement for all necessary travel between Detroit and Washington and on official business in connection with his work in accordance with the provisions of the Board's official travel regulations applicable to members of the Board, except that he be allowed a per diem of \$15 in lieu of subsistence during the periods in which he is absent from Detroit in connection with his work for the Board. The memorandum also recommended that Mr. Fisher be reimbursed for his travel and other expenses during the period he has served as a Special Consultant to the Board in accordance with the provisions of the Board's travel regulations applicable to members of the Board except that he be

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allowed a per diem of \$15 in lieu of subsistence during the time he has been absent from Detroit in connection with his work for the Board.

Approved unanimously.

Memorandum dated September 12, 1950, from Mr. Carpenter, Secretary of the Board, recommending the reemployment of Mrs. Jeanne Krieger Semia as a general assistant in the Office of the Secretary, effective when she returns to work, with no change in her previous basic salary of \$4,575 per annum. The memorandum stated that Mrs. Semia had been on maternity leave since May 8, 1950.

Approved unanimously.

Memorandum dated September 13, 1950, from Mr. Leonard, Director of the Division of Bank Operations, recommending the appointment of Mrs. Eleanor I. Klein as a statistical clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,650 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination, and subject to receipt of satisfactory replies from her references.

Approved unanimously.

Telegram to Mr. Johns, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reurtel September 12, you are correct, installment credits arising from sale of listed articles

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"having a cash price of less than \$100, exclusive of any applicable sales taxes, are subject to the minimum repayment requirements of Section 3(b) of Regulation W. New wording in Part I of the Supplement excepts instalment sales of such articles from down payment requirements but instalment credits arising in connection with the sale of such articles are subject to all other provisions of the Regulation."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks, reading as follows:

"An effective program of enforcement should follow as promptly as possible the inauguration of Regulation W.

"The program outlined in letter S-1041 in connection with the previous regulation is believed to afford in the main a sound initial basis for the enforcement program in connection with the present regulation, even though some changes may later be made in that program. Until such changes are made it will be appreciated if you will plan to institute a program as soon as possible along the general lines of S-1041.

"It will be desirable for each Federal Reserve Bank to undertake a program that will result in at least as much investigative activity in relation to the number of registrants as in the 1948-49 program. Enlarging the scope of Regulation W to bring in home improvement credits, however, would appear to require larger staffs of investigators. The Board is prepared to approve whatever costs may be reasonably necessary in connection with the administration of Regulation W including the enforcement program.

"The Board is concerned over recurring representations made by sales finance companies that previous Regulation W was enforced more strictly with respect to them than it was with respect to commercial banks and that they were at a competitive disadvantage because some banks extended credit on a non-conforming basis.

"In view of the fact that the business community has had extensive experience with Regulation W in

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"previous years, it may not be necessary or desirable in all cases of apparent 'willful' violations to conduct repeat investigations before instituting legal procedures.

"It may be in order to modify letter S-1041 both with respect to procedure in case of apparently willful violations and with respect to the emphasis placed on sales finance company investigations. The opinions and views of your Bank in this respect will be welcomed at the System conference to be held September 25 and 26.

"It will also be appreciated if the Reserve Banks would plan to resume forwarding reports of investigations as outlined in S-1058, as amended by S-1101. It will be necessary to revise the report form to include registrants in the home improvement field and new report form samples will be furnished to you as promptly as possible after the conference. The first such report will cover the enforcement activities for September and October and should be forwarded as soon as possible after November 1.

"Your observation of how the regulation and its administration are working in actual operation, and your advice as to any changes that you would care to recommend from time to time in the light of your experience will be welcomed."

Approved unanimously.

Letter to Honorable Wright Patman, House of Representatives, Washington 25, D. C., reading as follows:

"It is understood from the staff of the House Banking and Currency Committee that you have inquired as to the treatment under Regulation W of certain loans that are fully secured by the lender's own withdrawable shares or a savings account held with the lender.

"This subject is treated in Section 7(k) of the Regulation, which states the following as one of the credits exempted from the Regulation:

'(k) Certain Loans on Savings Shares or Accounts.—Any loan which is made by a bank, savings and loan association, or similar institution, and is fully secured by withdrawable shares issued by or savings accounts held with the lender.'

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"This provision applies to loans by banks, savings and loan associations, credit unions, cooperative banks, and other such institutions, in those instances in which the institution lends on its own withdrawable shares or on savings accounts that are maintained with the lender. Loans by any such institution which are not fully so secured would, of course, not be covered by this provision, and if otherwise subject to the Regulation would have to comply with the applicable requirements."

Approved unanimously.

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

"This refers to your letter of September 8 regarding the penalty of \$126.14 incurred by The First National Bank of Jackson, Ohio, on a deficiency in its reserves for the period ended July 15, 1950.

"It is noted that the deficiency resulted from the failure of the subject bank to include the deposits of The Iron Bank, a nonmember bank acquired over the July 1 week end, in computing its reserve requirements for the first six days of the period; that the long week-end holiday gave the member bank little opportunity to effect a transfer of funds; and that the last time the bank was deficient was for the semi-monthly period ending September 15, 1948, when it was assessed a penalty of \$16.33.

"In the above circumstances, the Board authorizes your Bank to waive the assessment of the penalty in this case."

Approved unanimously.


Secretary.