Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, September 29, 1950.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 28, 1950, were approved unanimously.

Telegrams to the Federal Reserve Banks of Cleveland, Richmond, 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 September 26, by the Federal Reserve Bank of St. Louis on September 27, by the Federal Reserve Banks of Cleveland, Richmond, Minneapolis, and Dallas on September 28, and by the Federal Reserve Bank of Kansas City on September 29, 1950, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memoranda dated September 29, 1950, from Mr. Vest, General Counsel of the Board, recommending increases in the basic annual salaries of the following employees in the Legal Division, effective October 1, 1950:
9/29/50

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<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Salary Increase</th>
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<tbody>
<tr>
<td>Mrs. Christine L. Stakes</td>
<td>Stenographer</td>
<td>From $2,970 To $3,115</td>
</tr>
<tr>
<td>Mrs. Erma Hufford</td>
<td>Stenographer</td>
<td>2,890 to 2,955</td>
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Approved unanimously.

Memorandum dated September 28, 1950, from Mr. Carpenter, Secretary of the Board, recommending an increase in the basic salary of Miss Mabel Goepfert, secretary to Mr. Carpenter, from $4,325 to $4,450 per annum, effective October 1, 1950.

Approved unanimously.

Memorandum dated September 26, 1950, from Mr. Young, Director of Research and Statistics, recommending the appointment of Mrs. Anne Campbell Sencindiver as a draftsman in that Division on a temporary basis for the period October 1, 1950 to December 30, 1950, inclusive, with basic salary at the rate of $3,825 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated September 28, 1950, from Mr. Boothe, Assistant Director of Administrative Services, recommending the appointment of Hugh T. Ladd as an offset pressman in that Division, on a temporary indefinite basis, with basic salary at the rate of $2,675 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.
Memorandum dated September 29, 1950, from Mr. Boothe, Assistant Director of the Division of Administrative Services, recommending that Thomas V. Kopfman, a clerk in that Division, be granted leave of absence without pay beginning October 18, 1950, for the purpose of reporting for active duty with the United States Marine Corps Reserves, that he be granted the benefits outlined in the Board's policy, adopted August 1, 1950, for all employees called for military service, that he be granted one month's unearned salary, and that he receive a lump sum payment for any accumulated and accrued annual leave remaining to his credit at this time.

Approved unanimously.

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

"In accordance with the request contained in your letter of September 26, 1950, the Board approves the appointment of Daniel Edwin Plaster as an assistant examiner for the Federal Reserve Bank of Atlanta. Please advise us of the date upon which the appointment is made effective."

Approved unanimously.

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

"Reference is made to your letter of September 18, 1950, submitting the request of the 'Equitable Trust Company', Wilmington, Delaware, for approval of the establishment of a branch in the Wilmington Merchandise Mart which is to be located approximately one-half mile beyond the city limits of Wilmington.
"In accordance with your recommendation, the Board of Governors approves the establishment and operation of a branch in the Wilmington Merchandise Mart, by the Equitable Trust Company, Wilmington, Delaware, subject to prior formal approval by the Board of Bank Incorporation of the State of Delaware, provided such branch is established within eighteen months after date of this letter and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the recommendation of the Executive Committee of your Bank, contained in your letter of September 15, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to Lincoln National Bank, Buffalo, New York, to maintain the same reserves against deposits as are required to be maintained by banks located outside central reserve and reserve cities, effective with the first semi-monthly reserve computation period beginning after the date of this letter.

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System."

Approved unanimously.

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

"Reference Board's telegram September 26 announcing institution new Regulation V program. Charles T. Fisher, Jr., President, National Bank of Detroit, who is serving as Administrator of Office of
"Real Estate Credit, also will act temporarily as Administrator of the V-loan program. Gardner L. Boothe, II, will serve as Deputy Administrator and J. J. Connell as assistant to Mr. Boothe. George E. Vest will serve as Counsel with Howard H. Hackley as his assistant and as his alternate when necessary. Assignments of Messrs. Boothe, Connell, Vest and Hackley as indicated above are in addition to their other duties. It will be appreciated if all correspondence in connection with individual guarantees is addressed to the Administrator, Defense Production Loans. General correspondence should be addressed to the Secretary's Office in accordance with usual procedure. It will also be appreciated if you will forward in duplicate all communications and enclosures submitted by mail to the Board in connection with individual guarantees. Please advise the name of the officer in your Bank who will have general supervision of the program."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks,

reading as follows:

"Section 8(h) of Regulation W permits performance of valid contract or obligations entered into prior to effective date of Regulation but provides that when any such credit is combined with new credit extended after effective date it shall be treated as if it were extended on the date of consolidation. If a pre-effective date obligation to purchase an automobile has been paid down to $1700 and after the effective date the Registrant desires to combine it with an additional $900 loaned for an exempt purpose, Section 8(h) would require the remainder of the automobile credit to be scheduled for repayment within the maximum maturity applicable to automobiles. Since the example involves a mixed credit, Section 6(d) would apply and under the present provisions of the regulation the Registrant could schedule the consolidated obligation so that at least $1700 would be repaid within 21 months from date of consolidation; the $900 new credit could be scheduled for payment without regard to Regulation W."
"In the case described above if the new $900 credit were for the purchase of a Group B or C listed article, the entire $2600 would have to be scheduled in accordance with the regulation. However, the $1700 arising from the automobile and subject to 21 months maximum maturity would, of course, be larger than the $900 arising from the Group B or C article and subject to 18 months maximum maturity. Therefore, under the option in section 6(d) relating to the major part of the credit, the Registrant, if he desired, could give the entire $2600 credit the 21 months maximum maturity applicable to the listed article giving rise to the major part of the credit."

Approved unanimously.

Letter to Mr. Joseph P. McCarthy, Irion, Cain, Bergman and Eckerson, Attorneys and Counselors at Law, National Press Building,

Washington, D. C., reading as follows:

"This refers to your letter of September 14, 1950, in which you quote from a communication you have received from Mr. Frank Cain of your Dallas, Texas office regarding Regulation W.

"Mr. Cain raises the question whether certain provisions of Regulation W may result in the usury law of the State of Texas causing an advantage or disadvantage as between different types of financing institutions.

"It seems clear that if there should arise any difficulties of the sort to which we understand Mr. Cain to refer, they would be due to practices which are followed by the particular financing institution without in any way being required by Regulation W. In this connection, you may recall that the brief filed by your firm before the Federal Trade Commission (on the subject of alleged unfair trade practices in the sale, financing, and insuring of motor vehicles) states the following on page 36 concerning the question to which Mr. Cain refers:"
"** it was because of Associates Investment Company making the disclosure a part of the contractual relationship between it and the purchaser as well as the finance company in the face of its negotiable paper, that caused it this particular trouble as distinguished from the method used by other companies in complying with the ruling of the Federal Reserve Board. **"*

"The Board is, of course, always glad to consider any suggestion regarding any provision of the regulation, but it is believed that upon further consideration Mr. Cain will find that the existing provisions of the regulation are entirely fair and equitable on the point in question."

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington 25, D. C., reading as follows:

"This refers to your letter of September 13, 1950, with enclosures, requesting the views of the Board regarding a draft of bill presented by the Department of Justice 'To provide for a decrease in the rate of interest to be paid by the United States in the acquisition of lands, under the power of eminent domain, title to which is taken in advance of final judgment'.

'It is understood that under existing statutes the United States is required, in the case of deficiency judgments in condemnation proceedings, to pay interest on such deficiency at the rate of six per centum per annum from the time of the taking of the property to the date of payment. The draft of bill would simply amend the law by reducing the specified rate of interest from six per centum per annum to three per centum per annum. The Board has no objection to the enactment of the bill."

Approved unanimously.
Memorandum dated September 28, 1950, from Messrs. Young and Solomon, Director of the Division of Research and Statistics and Assistant General Counsel, respectively, recommending that the staff be authorized to arrange through the Securities and Exchange Commission with the New York Stock Exchange a survey of margin accounts.

Approved unanimously.

[Signature]

Secretary.