

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 3, 1950.

PRESENT: Mr. McCabe, Chairman  
 Mr. Szymczak  
 Mr. Evans  
 Mr. Vardaman  
 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 October 2, 1950, were approved unanimously.

Memorandum dated September 28, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending that the resignation of Mrs. Charlotte T. Breckenridge, a clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business September 29, 1950.

Approved unanimously.

Memorandum dated October 2, 1950, from G. L. Boothe, II, Assistant Director of the Division of Administrative Services, recommending that the resignation of Mrs. Wanda H. Thompson, key-punch operator in that Division, be accepted to be effective, in accordance with her request, at the close of business September 28, 1950.

Approved unanimously.

Memorandum dated September 29, 1950, from G. L. Boothe, II, Assistant Director of the Division of Administrative Services,

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recommending that the temporary appointment of Rudolph Reece, a laborer in that Division, be extended on a permanent basis, effective October 7, 1950, with no change in his present basic salary at the rate of \$2,120 per annum.

Approved unanimously.

Memorandum dated September 30, 1950, from Mr. Leonard, Director of the Division of Bank Operations, recommending that the temporary-indefinite appointment of Mrs. Frances L. Franklin, a statistical clerk in that Division, be extended on a permanent basis, and that her salary be increased from \$2,650 to \$2,730 per annum, effective October 15, 1950.

Approved unanimously.

Memoranda from the heads of the divisions indicated below recommending increases in the basic annual salaries of the following employees in those divisions, effective October 15, 1950:

Division, Date of Memo and Name	Title	Salary Increase	
		From	To
<u>ADMINISTRATIVE SERVICES</u>			
October 2, 1950			
Harry E. Kern	Supvr. Proc. Sec.	\$4,075	\$4,200
Mary E. Dorsey	Printing Clerk	3,825	3,950
Helen L. Hulen	Publications Clerk	3,600	3,725
Benjamin R. Reading	Pay Roll Clerk	3,350	3,475
Frances Teller Kurtz	Operator (Key Punch)	2,650	2,730
Dessie A. Collison	Page	2,280	2,360
Catherine Gallagher	Cafeteria Helper	2,190	2,260

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Division, Date of Memo and Name	Title	Salary Increase	
		From	To
<u>BANK OPERATIONS</u>			
September 30, 1950			
John J. Hurley	Analyst	\$5,100	\$5,225
Loretta M. Goheen	Supvr., F. R. Bank Statement Unit	4,325	4,450
Rita S. Boyer	Statistical Asst.	3,950	4,075
John M. Poundstone	Settlement Clerk	3,825	3,950
Margaret Grisct	Clerk-Stenographer	3,475	3,600
Dorothy Werner	Clerk-Stenographer	3,475	3,600
Carl M. Skinner	Clerk	2,970	3,050
Margaret C. Gough	Clerk-Stenographer	2,650	2,730

Approved unanimously.

Letter to Mr. Lunding, Chairman and Federal Reserve Agent of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in Mr. Meyer's letter of September 29, 1950, the Board of Governors approves, effective October 9, 1950, the payment of salary to Mr. August J. Pettke, Federal Reserve Agent's Representative, Detroit Branch, at the rate of \$5,700 per annum."

Approved unanimously.

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

"In view of the recommendation contained in your letter of September 27, 1950, the Board of Governors further extends to May 16, 1951, the time within which 'The Elyria Savings & Trust Company', Elyria, Ohio, may establish the branch in Avon Lake, Ohio, as approved by the Board under date of November 16, 1949."

Approved unanimously.

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

"The expansion in borrowing in margin accounts during the last year or so has not been accompanied by corresponding increases in loans for purchasing or carrying securities to others than brokers and dealers at weekly reporting member banks. This may be due to actual differences in credit activities, but there is some concern as to whether it might not be caused at least in part by the incorrect classification of some of these loans. The attached memorandum discusses the question in some detail.

"It would be appreciated if you would make inquiries at the following banks to try to determine (1) if there may have been any significant amount of inadvertent misclassification of loans for purchasing or carrying securities, or (2) if there is any large volume of loans, the proceeds of which may have been used for purchasing or carrying securities, but are otherwise classified because information available at the reporting bank does not permit definite determination of the purpose:

Chicago National Bank  
Harris Trust and Savings Bank  
Lake Shore National Bank  
Merchandise National Bank of Chicago  
Northern Trust Company

"This group of banks, all located in Chicago, has been selected partly for your convenience in making these inquiries. Similar inquiries are being requested in two other Reserve Bank cities. If there are any other banks that you feel might be more satisfactory for this purpose, feel free to substitute within the list or expand it as seems necessary to obtain a satisfactory explanation.

"If the examiners are at any State member bank that might shed light on the matter, it might be desirable to ask them to look briefly into the situation. A copy of this letter has been sent to Mr. Diercks."

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Approved unanimously, with the understanding that similar letters would be sent to the Federal Reserve Banks of Philadelphia and St. Louis.

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

"In connection with the administration of the recently instituted V-loan program for guaranteeing defense production loans, the Board's telegram of September 26 stated that procedures will follow as closely as possible the same procedures which were followed during the V-loan program of World War II. Some questions have arisen as to the extent to which procedures and forms utilized during the previous program are applicable to the new program.

"In general, it is believed that most of the essential procedures established during the World War II V-loan program can be followed under the present program with only a few necessary changes. Thus, substantially the same information should be obtained in connection with applications for guarantees as was required for guarantees of loans for war production during the previous program. Likewise, procedural instructions issued during World War II with respect to the number of copies of the guarantee agreement to be executed, submission of communications in duplicate, and similar matters should be equally appropriate in the processing of guarantees authorized pursuant to the Defense Production Act and the President's Executive Order No. 10161. It is assumed that your Bank has available copies of such procedural instructions.

"You will understand, of course, that in certain respects present procedures will necessarily differ from those followed during the previous program. For example, the guaranteeing agencies have not delegated to the Federal Reserve Banks authority to approve guarantees up to a specified amount without submission of applications to Washington, as was the case during World War II. Also, all determinations as to whether the prospective borrower's operations are in fact necessary to expedite defense production so as to make him eligible for a guaranteed loan will be made by the

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"guaranteeing agencies in Washington, at least for the present. For this purpose, as stated in the Board's telegram of September 26, a copy of each application should be forwarded immediately to the Board for transmittal to the appropriate guaranteeing agency.

"It is recognized that as the program develops questions of procedure will arise which may not be clearly covered by procedural instructions issued during the V-loan program of World War II. Any such questions should be referred to the Board for consideration and determination after consultation with the several guaranteeing agencies.

"For reference purposes and in order that the Federal Reserve Banks and the guaranteeing agencies may maintain complete files with respect to the program, all letters addressed by the Board to the Federal Reserve Banks which relate to general procedures and policies will bear an identifying V-number. Copies of such letters will be furnished to the guaranteeing agencies for their information. In addition, any such letters which are of general interest, such as interpretations of the form of guarantee agreement, may be furnished by your Bank to financing institutions having guaranteed loans upon their request."

Approved unanimously.

Letter to Honorable Preston Delano, Comptroller of the Currency, Washington 25, D. C., reading as follows:

"This refers to Mr. Robertson's letter of September 21, 1950, in which it was stated that in the opinion of your Office loans guaranteed on the proposed form of V-Loan Guarantee Agreement submitted to you with the Board's letter of September 20, 1950, would come within the purview of Exception 10 to Section 5200 of the Revised Statutes and the definition of the term 'unconditional' issued by the Comptroller of the Currency on June 18, 1942.

"On September 26, 1950, the Board of Governors advised the Federal Reserve Banks by telegram of the institution of a new V-loan program for guaranteeing

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"defense production loans pursuant to the Defense Production Act of 1950 and the President's Executive Order No. 10161. Among other steps taken in this connection, the Board, after consulting the guaranteeing agencies, prescribed the form of guarantee agreement to be used in connection with the new program; and a printed copy of that form identified as 'Form of September 27, 1950' is enclosed. This form is identical with that which was enclosed with the Board's letter of September 20, except for three minor changes as described in the Board's telegram to the Federal Reserve Banks. A copy of that telegram is enclosed.

"It is assumed that the changes in the form of guarantee agreement indicated in the enclosed telegram will not affect the unconditionality of the guarantee agreement. However, we will appreciate confirmation by your Office of our understanding that loans guaranteed on the prescribed form of September 27, 1950, will come within the purview of Exception 10 to Section 5200 of the Revised Statutes and the definition of the term 'unconditional' as used therein.

"For your information in this connection, there are also enclosed a copy of the press statement issued with respect to the new program and a copy of the Board's Regulation V as revised effective September 27, 1950."

Approved unanimously.

Letter to Honorable Jere Cooper, House of Representatives,  
Washington, D. C., reading as follows:

"As requested in your letter of September 21, we are returning Mr. Henry A. Fowlkes' letter of September 14 written on behalf of the Meriwether Furniture Company, Dyersburg, Tennessee, of which he is president, on the subject of this Board's consumer credit Regulation W.

"Mr. Fowlkes suggests that down payment requirements on furniture under the provisions of Regulation W should be set as 33-1/3 per cent of the cash price instead of 10 per cent as the regulation now requires on articles costing \$100 or more. He also appears to be under the



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"impression that during the war Regulation W required a one-third down payment on furniture as it did on automobiles.

"The regulation has generally required something less in the way of minimum down payments on furniture than on other listed articles, particularly automobiles. The minimum down payment for furniture has ranged from 10 per cent in 1941 to 20 per cent in 1942, then down to 15 per cent in 1949 and when the last regulation expired in June of 1949 a 10 per cent minimum down payment was required. All during that period the down payment requirement of automobiles has been at least one-third of the cash price.

"It has seemed to the Board that there are good reasons for permitting in Regulation W a minimum down payment for furniture different from that applicable to automobiles and some other listed articles. The furniture trade in expressions through its national association seems to support that view and, incidentally, in conferences we had with the association representatives they appeared somewhat apprehensive that the provisions of the regulation might be made more restrictive for furniture than those that were adopted. Of course, there is nothing in the regulation which would prevent any merchant from requiring a higher down payment than the minimum established in the regulation.

"The Board is constantly studying conditions and is prepared to change the terms of Regulation W whenever it appears appropriate to do so. Views such as those expressed by Mr. Fowlkes are considered in connection with changes in terms, and we thank you for bringing his letter to our attention."

Approved unanimously.

Letter to Mr. C. N. Nichols, Managing Director, Northeastern Roofing, Siding and Insulating Contractors Association, Inc., 12 East 41st Street, New York 17, N. Y., reading as follows:

"This refers to your letter of September 21, 1950 and telegram of September 25, 1950, to Chairman McCabe regarding Regulation W.



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"You refer to the business advisory committees provided for in section 701 (b)(ii) of the Defense Production Act of 1950, and you state that your association requests that the Board 'permit it to establish such an advisory committee'.

"As you know, the Board goes to great lengths to consult with the persons affected by its regulations. This is true of all the regulations for which the Board has responsibility, including Regulation W. You will recall that the practice was followed not only with the present version of Regulation W but also with the versions issued in earlier years. There was consultation with representatives of your association as well as with the representatives of the many other industries and groups affected by the regulation.

"The Board has every intention of continuing to consult with those affected by its regulations wherever it is practicable and consistent with the public interest. The Board will follow this policy in the future, as in the past, because the Board is convinced that it is the fairest and most effective way to administer a regulation.

"Business advisory committees of the kind provided for in section 701 (b)(ii) of the Defense Production Act may in some cases be appropriate for purposes of consultation in connection with Regulation W. It is clear, however, that it would not be appropriate for the Board to select a particular trade association and 'permit it to establish such an advisory committee'. Section 701 (b)(ii) specifically states that in the formation of the advisory committees provided for by the section 'there shall be fair representation for independent small, for medium, and for large business enterprises, for different geographical areas, for trade association members and nonmembers, and for different segments of the industry ....'

"Occasions will doubtless arise from time to time in the future, as in the past, when the Board will be unable to consult with persons subject to Regulation W regarding changes in the regulation. As stated in section 709 of the Defense Production Act, such consultation may sometimes be 'impracticable or contrary to the interest of the national defense.'

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"The Board has long recognized the benefits to be derived from consulting wherever appropriate with those who are subject to its regulations. Such consultation cannot, of course, relieve the Board of its duty to reach decisions that will give proper weight to the general public interest -- which is rarely represented by any organized group. But it can be helpful in understanding the particular problems and viewpoints of different segments of various industries.

"You may be sure that the Board at all times welcomes the views of your association, and of all other interested persons, with respect to any matter on which the Board has responsibility."

Approved unanimously.

Telegram to all Federal Reserve Banks and their branches, reading as follows:

"This wire being sent to all Federal Reserve Banks and their branches to give preliminary confidential information regarding issuance of Regulation X, Real Estate Credit. Expected that Regulation X will be issued this week to be effective promptly. We will advise you as soon as we have more definite information. We plan to airmail photo offset negatives to your head office as soon as available so that regulation may be printed and distributed promptly to interested persons in your district. We will also wire to you as soon as possible text of press release which will be issued regarding regulation. We will advise you later of effective date and when regulation will be released to public. Please keep information contained in this wire confidential until that time."

Approved unanimously.

Memorandum dated October 2, 1950, from Mr. Hooff, Assistant Counsel, recommending that there be published in the law department of the October issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following:

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Delegation of Functions under Defense Production Act  
Executive Order No. 10161

Loan Guarantees for Defense Production  
Regulation V

Consumer Credit

Pre-effective Date Transactions (S-1139)

Calculation of Maturity for Improvement  
Credit (S-1141)

Construction of or Repairs to Detached  
Structures (S-1142)

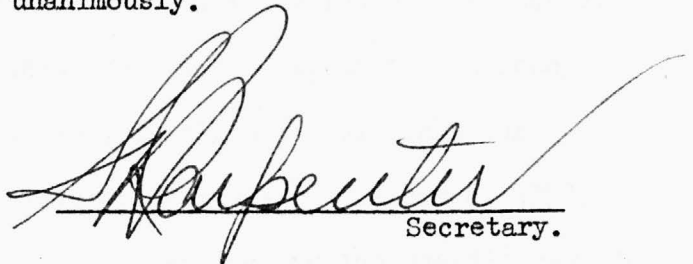
Home Improvement "materials and articles"  
(S-1143)

Purchase or Discount of Credits Extended  
Pursuant to Pre-effective Date Commitment  
(S-1144)

Automobile Appraisal Guides

Federal Deposit Insurance Act

Approved unanimously.

  
Secretary.