

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, October 9, 1950.

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

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 6, 1950, were approved unanimously.

Memorandum dated October 3, 1950, from Mr. Noyes, Assistant Administrator of the Office of Real Estate Credit, recommending that Mrs. Anne Stewart Temple, a clerk in the Division of Examinations, be transferred to the Office of Real Estate Credit as a clerk, with no change in her present basic salary of \$3,035 per annum, effective October 4, 1950. The memorandum also stated that Mr. Millard was agreeable to this transfer.

Approved unanimously.

Memorandum dated October 4, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending the appointment of Mrs. Katherine Grace Black as a clerk in that Division on a temporary basis for a period not to exceed twelve months, with basic salary at the rate of \$2,875 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 the receipt of

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satisfactory references.

Approved unanimously.

Memorandum dated October 6, 1950, from Mr. Boothe, Assistant Director of the Division of Administrative Services, recommending an increase in the basic salary of Mrs. Pauline E. Stanley, a clerk in that Division, from \$2,450 to \$2,650 per annum, effective October 15, 1950.

Approved unanimously.

Telegram to Mr. Latham, Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Reur telephone request regarding publication of condition reports in Connecticut. Board will interpose no objection if reports as of October 4 made pursuant to Board's call are not published by Connecticut State member banks but banks furnish appropriate evidence of publication of State reports as of September 30. Please advise Connecticut State member banks in your District accordingly. We are notifying Federal Reserve Bank of New York of Board's action. Board suggests you make further effort to persuade State Bank Commissioner to seek appropriate amendment to State law which it is understood contains mandatory requirement for reports as of September 30."

Approved unanimously, together with a similar telegram to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York.

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

"Please have compiled and mail or wire in time to reach the Board by November 1, if practicable, amounts

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"in thousands of dollars, of each item and sub-item 1 to 12, inclusive, reported in Schedule A, loans and discounts, of the October 4 call reports of national and State member banks. Give separate totals for (1) central reserve city national banks, (2) central reserve city State member banks, (3) reserve city national banks, (4) reserve city State member banks, (5) country national banks, and (6) country State member banks. Figures may be estimated for any small banks whose reports are missing or incomplete."

Approved unanimously.

Letter to Mr. Strothman, Assistant Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This will acknowledge receipt of your letter of September 20 in which you quoted a rubber stamp impression that a Registrant proposes to place on notes it takes in connection with extensions of credit which are not for the purpose of purchasing listed articles. The quotation, intended to fulfill the requirement of section 4(d) of Regulation W, is:

'The proceeds of this note are not to be used to purchase or make a down payment on a listed article described under Regulation W.'

"We concur in your opinion that the device suggested would not satisfy the requirements of section 4(d) as a statement of the borrower as to the purposes of the loan. Even if such a rubber stamp notation were placed on the note before the borrower signed, its language in relation to the borrower's signature would be very indefinite and it is not at all clear that the borrower could be expected to intend that his signature to the note would be a statement by him regarding the purpose of the loan.

"It is possible, of course, that a rubber stamp might in some cases be used to set out the appropriate facts for a statement of the borrower if the notation were placed on an appropriate document prior to the borrower's signature and in such manner and form as to make it clear, either by the borrower's signing

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"in a space provided in the rubber stamp notation or by some other method, that the borrower's signature was in fact intended by him to relate to the facts stated in the notation."

Approved unanimously.

Letter to Mr. Les Kelley, 1221 South Figueroa Street, Los Angeles 15, California, reading as follows:

"You will recall that our letter to you of September 9, 1950, stated that, subject to certain specified conditions, certain issues of your appraisal guide had been designated for the purposes of Part 4 of the Supplement to Regulation W. That letter stated, among other things, that: 'It should be noted that this designation is limited to the regular issues that you have reported to us to be scheduled through June 30, 1951.' It also stated that: 'If in any case you publish any statement in any issue of Kelley Blue Book Official Guide or elsewhere to the effect that any issue of such guide has been designated by the Board of Governors, in each such instance * * * the statement shall show the * * * period for which the issue has been designated * * * .'

"It is understood that under date of September 18, 1950, you addressed to subscribers to Kelley Blue Book a post card that contained, among other things, a statement that: 'The Kelley Blue Book has been designated by the Board of Governors of the Federal Reserve System as one of the services for use under Regulation "W" * * * .'

"We do not wish to comment in detail at this time on all features of the post card or of our letter of September 9, but it is difficult to see how the statement quoted above from your post card can be considered to be accurate or consistent with the conditions stated in our letter.

"The Board is writing to you about the matter not merely because of the particular post card -- although it is of consequence in itself -- but also because it seems desirable to emphasize generally that full and complete compliance with the letter and spirit of all the conditions on which certain

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"issues of appraisal guides were designated is of greater importance than may be readily apparent.

"When the Board decided to make use of appraisal guides under Regulation W instead of following one of several other alternatives, one basis for the decision was the thought that the Board might be saved the labor and expense of some other alternatives if the publishers of designated issues of guides could be depended on to show an extremely high degree of responsibility in estimating retail values and conforming to the conditions of the designations. The standard of responsibility necessarily has to be of an unusually high order if the labor-saving results are to follow. You can readily appreciate that any advantages resulting from the use of any issues of appraisal guides under the regulation can easily be outweighed if the Board has to make detailed checks on the activities of publishers or engage in extensive correspondence in that connection.

"The terms of our letter of designation were determined after careful consideration of the needs of Regulation W and in the light of experience with designations under the regulation. Any failure to comply with the letter or spirit of any of those terms is necessarily of concern to the Board because of the reflection it casts on the qualifications of the publisher and the difficulties it tends to cause in connection with the regulation."

Approved unanimously.


Secretary.