

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, October 11, 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 10, 1950, were approved unanimously.

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

"Some of the Federal Reserve Banks have advised that they are experiencing difficulty in filling certain classes of positions because of the recent tightening in the labor supply, and the Board has been asked by one of the Banks to authorize re-employment of service retired employees for temporary periods.

"Inasmuch as Reserve Banks may find it necessary to use temporarily some of their retired employees, the Board of Governors amends its letter of February 4, 1946, S-895, (F.R.L.S. #9151.1) to provide that when a Bank is unable to recruit the necessary manpower from other sources it may re-employ retired service employees with the understanding that such re-employments are an emergency expedient to be terminated as soon as conditions in the labor market permit. The annuitants who are re-employed should be informed that the Bank is under no obligation to continue them in active service until they have qualified for Social Security benefits under the amended Social Security Act.

"The procedure outlined in Circular Letter No. 63, dated February 17, 1942, from the Retirement Committee should be followed when an annuitant is re-employed and

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"consideration should be given to the pension portion of his retirement allowance when fixing his salary. If the annual salary paid by the Bank to a re-employed annuitant is below the minimum of the salary grade in which his position is classified, the Board authorizes the payment of such below-minimum salary."

Approved unanimously.

Letter to Mr. Walter C. Warner, Manager, Credit Department of the Federal Reserve Bank of New York, reading as follows:

"This refers to your letter of September 18, 1950, which enclosed a copy of a letter dated September 13, from the New York City law firm of Safir & Kahn. This correspondence concerns the application of Regulation W to so-called 'built-for-the-purpose' taxicabs. Under date of September 20, Mr. Jesse Safir of that firm also addressed a letter to the Board with respect to the above matter.

"As indicated in your letter, the status of taxicabs, including the type referred to by Safir & Kahn, has been the subject of careful study on previous occasions. Each time the question has arisen, the Board has taken the position that it would be undesirable to attempt to exclude taxicabs from the regulation.

"Our numerous studies of the matter have indicated that taxicabs properly belong in the automobile classification. More particularly, it was not possible to identify a taxicab as a type of vehicle since in many instances popular model sedans are purchased for and are used as taxicabs. Furthermore, it was not possible to exclude taxicabs on a commercial use basis since to do so would have raised a question concerning all passenger automobiles purchased for commercial use. In addition, an examination of State and local regulations of taxicabs with respect to title, registration, license, design, rate of fare, and the like failed to reveal an adequate or practical standard for a serviceable definition exempting taxicabs from the regulation.

"A review of the matter since receipt of the aforementioned correspondence has confirmed our belief in the soundness of the foregoing views. However, if Safir & Kahn still desire to present their views to us here in

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"Washington, we shall be glad to meet with them at a time mutually agreeable.

"We have not undertaken a direct answer to Mr. Jesse Safir's letter to the Board of September 20 since it seemed preferable that the matter be handled through your Bank."

Approved unanimously.

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

"Questions have been received regarding the application of Regulation W to credit extended in Alaska and other areas outside the continental United States.

"The facts can vary widely in such cases and it is difficult to state rules in detail to be applied to the many different situations that may arise. If all of the features of the credit extension are outside the continental United States the transaction is exempt. However, if the delivery of the article financed, the disbursement of the funds, the receipt of payments on the credit, or any other feature of the transaction, occurs in the continental United States there should, as a general proposition, be considered to be at least a presumption that the transaction is subject to the regulation. The presumption that the transaction is subject to the regulation in such cases should be considered to be especially strong if either the residence of the obligor or the location of the particular office of the Registrant is in the continental United States."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks and the Managing Officers of all Federal Reserve Bank Branches, reading as follows:

"This telegram to the Federal Reserve Banks is also being sent to the Managing Officers of Federal Reserve Bank Branches. Referring wire yesterday relating to statement of borrower under Regulation X. Statement of

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"borrower with respect to residential real estate construction credit has now been completed in the form set forth below. Second paragraph of Section 4(c) of Regulation X does not require any particular form of statement to be used but this form may be used if desired. Will be appreciated if you will produce form immediately and have copies available for Registrants. However, since experience may make it necessary to change form in near future, suggest only reasonably small supply be printed. Not intention of last sentence of Section 4(c) that Federal Reserve Banks would supply Registrants' needs for this form but only that samples would be furnished upon request of a Registrant and he would make his own arrangements for printing a supply. Mimeograph copies of statement going forward to you by airmail:

"STATEMENT OF BORROWER WITH RESPECT TO RESIDENTIAL
REAL ESTATE CONSTRUCTION CREDIT"

(To be filed by the Borrower with the Registrant in connection with credits subject to Regulation X of the Board of Governors of the Federal Reserve System)

(1) The credit in the amount of \$ _____, for which the borrower is applying to _____,

(Name of Registrant)

is with respect to new construction, or property on which there is new construction, involving:

- (Please check) _____ (a) Residential property
 _____ (b) Residence on farm property
 _____ (c) Major addition or major improvement to a residence.

As used here, "new construction" means any structure, or major addition or major improvement to a structure, which is or has been begun after August 3, 1950.

(2) If the Registrant, relying on information furnished by the borrower, claims that this credit is exempt from Regulation X, the reason for such exemption is: _____

NOTE: IF THE CREDIT IS EXEMPT FROM REGULATION X, THE INFORMATION CALLED FOR IN THE REMAINDER OF THIS STATEMENT NEED NOT BE FURNISHED.

- (3) If the credit is in connection with a sale, what is the bona fide sale price? \$ _____
 (4) If the credit is not in connection with a sale, what is the bona fide cost or estimated cost to the borrower?

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"(If, under section 2(i) of Regulation X, "value" is determined by an appraisal, this question should not be answered.) \$ _____

(5) If the credit is in connection with a sale, was any property accepted in part payment? _____ ("Yes" or "No") If so, attach a statement as to value and a description of such property.

(6) If the credit is in connection with a sale, is the vendor of the property to have any financial interest in the property after the sale or in the proceeds of any subsequent disposition thereof? _____ ("Yes" or "No") If the answer is "Yes", state amount and nature of such interest. _____

(7) Apart from the credit now applied for with respect to the property, what is the total amount of any credit previously extended and now outstanding, and any credit expected at this time to be extended, with respect to the same property? \$ _____

I certify under the penalties of Regulation X of the Board of Governors of the Federal Reserve System that to the best of my knowledge and belief the facts stated above, and those in any statement supplied by me and attached hereto, are correct.

(Date) (Borrower's Signature) (Borrower's Address)

NOTE TO REGISTRANT: Where the borrower's statement shows other credit to be outstanding or to be contemplated in connection with the property, the Registrant must obtain further information with respect to such credit in order to determine whether the applicable loan value, maturity, and amortization requirements of Regulation X and the Supplement thereto are met.

A copy of this statement should be retained by the Registrant. A copy may be attached to the credit instrument so that if another Registrant should subsequently purchase, discount or lend on the credit instrument, he will have evidence that the Registrant who first extended the credit obtained a borrower's statement in accordance with section 4(c) of Regulation X."

Approved unanimously.

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Memorandum dated October 11, 1950, from Mr. Hooff, Assistant Counsel, recommending that, in addition to the material previously submitted for publication in the Law Department of the October issue of the Federal Reserve Bulletin, Regulation X, the press statement, and introductory paragraph be included.

Approved unanimously.


Secretary.