

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, November 9, 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 November 8, 1950, were approved unanimously.

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

"There has been prepared a summary of the interpretations issued by the Board before June 30, 1949, which are applicable under Regulation W as issued effective September 18, 1950, and as amended. A copy of the summary is attached hereto, and additional copies are being forwarded under separate cover."

Approved unanimously.

Letter to Honorable Warren G. Magnuson, United States Senate, Washington, D. C., reading as follows:

"Thank you for your telegram concerning Regulation X. We are glad to have your views on this matter.

"Regulation X makes provision for exemption in cases where credit is obtained to buy houses started before August 3, 1950 and where firm commitments had been made for credit prior to October 12, 1950.

"As authorized by the Defense Production Act, the regulations apply only to 'new construction', which

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"means any structure, or any major addition or improvement which is or has been begun after August 3, 1950. In the case of loans guaranteed by the Federal Housing Administration or the Veterans Administration, of course, the new restrictions apply to both new and old houses if application was made after October 12, 1950. The President's Executive Order, issued pursuant to the Defense Production Act of 1950, delegated responsibility for the control of residential mortgage loans made, insured, or guaranteed by any branch of the United States Government to the Housing and Home Finance Administrator.

"Regulation X not only provides for exemption where firm commitments for credit existed prior to October 12, 1950, but also where substantial commitments or undertakings had been made before August 3, 1950, and where inability to obtain credit on the basis contemplated by the borrower and lender would cause the borrower substantial hardship.

"It is the expectation of the Board and the Federal Housing authorities that the regulation will reduce the volume of housing construction from the record levels of 1950. It has been suggested that it would be desirable if the production of new housing units next year could be cut to about 800,000. Should the regulation have that effect, such a level of construction would still compare favorably with the high levels of construction activity in other years since the war.

"Please do not hesitate to call upon us if we can be of further service."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks,

reading as follows:

"Board has extended until December 31, 1950, the time within which letters or other statements may be sent to Federal Reserve Banks pursuant to clause (2) of the second sentence of section 6(b) of Regulation X."

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Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks,

reading as follows:

"It has been suggested that the substance of S-1169 X-5 insofar as it relates to interpretation of section 5(g) of Regulation X be released to the public. For that reason we are sending you today a separate telegram, X-15, restating the provisions of X-5 in form available for release to any interested parties. Interpretation in this form will be published in the Federal Register and the Federal Reserve Bulletin in accordance with the usual practice with respect to other rulings on Regulation X."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks,

reading as follows:

"It is the view of the Board that exemptions under section 5(g) of Regulation X should not be granted unless there is a clear showing of substantial hardship. The mere fact that a builder or other person may have made substantial commitments or undertakings before August 3 is not sufficient basis for the granting of an exemption unless he is also able to show that he will suffer substantial hardship if he has to comply with Regulation X in obtaining credit rather than obtaining it on the basis previously contemplated by him and the Registrant. The builder or other person must also be able to show that he had contacts or negotiations with a Registrant prior to August 3, 1950, with a view to possible subsequent agreement for extension of credit to such builder or other person. Section 5(g) relates only to the credit to finance new construction which is extended to the builder or other

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"person who made substantial commitments or undertakings before August 3 and the provision does not apply to credit involved in a subsequent sale of the property by such builder or other person."

Approved unanimously.

Memorandum dated November 8, 1950, from Mr. Carpenter, Secretary of the Board, recommending that the 1950 budget of the Office of the Secretary be increased by \$600, \$300 for Printing and Binding and \$300 for Stationery and Supplies.

Approved unanimously.

Memorandum dated November 6, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending that the 1950 Budget of the Division of Research and Statistics be increased as indicated below to provide sufficient funds to cover expenses during the last quarter of 1950 for the non-personal services classifications:

<u>Classification</u>	<u>Amount</u>
Telephone and Telegraph	\$1,200
Stationery and Supplies	700

Approved unanimously.

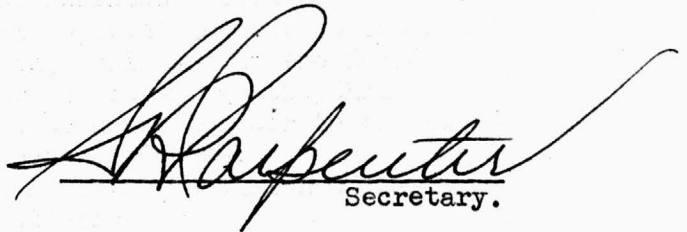
Memorandum dated November 7, 1950, from Mr. Townsend, Solicitor, requesting authorization to go by automobile to San Diego, Los Angeles, and San Francisco in connection with resumption in California of the hearings in the Clayton Act Proceeding against Transamerica Corporation, and that he be allowed reimbursement for travel expenses on

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the same basis as applied before in connection with these proceedings, namely, per diem in lieu of subsistence at the rate of \$9 and other allowances authorized by the Board's official travel regulations, and reimbursement for the rental of a small modest furnished apartment or suitable hotel room accommodations in San Diego, Los Angeles, and San Francisco as shown by receipted bills.

Approved unanimously.


Secretary.