

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, November 13, 1950.

PRESENT: Mr. Szymczak, Chairman pro tem.  
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 10, 1950, were approved unanimously.

Memorandum dated November 6, 1950, from Mr. Hilkert, Acting Director of the Division of Personnel Administration, recommending an increase in the basic annual salary of Miss June E. Ayers, a personnel technician in that Division, from \$4,725 to \$4,975 per annum, effective November 26, 1950.

Approved unanimously.

Memoranda dated October 30, 1950, from Mr. Marget, Director of the Division of International Finance, recommending increases in the basic annual salaries of the following employees in that Division, effective November 26, 1950:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Randall Hinshaw	Economist	\$6,400	\$6,600
Mrs. Dorothy L. Helprin	Research Assistant	3,600	3,725

Approved unanimously.

Memorandum dated November 9, 1950, from Mr. Noyes, Assistant Administrator of the Office of Real Estate Credit, recommending the

11/13/50

-2-

appointment of Miss Elsie M. Bevan as a clerk-stenographer in that Office, on a temporary indefinite basis, 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 a satisfactory employment investigation.

Approved unanimously.

Letter to Mr. Sheehan, Chief Examiner, Federal Reserve Bank of New York, reading as follows:

"In accordance with the request contained in your letter of November 8, 1950, the Board approves the designation of the following individuals as special assistant examiners for the Federal Reserve Bank of New York:

John Bodnaruk  
Duncan M. O'Brien"

Approved unanimously.

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

"The Board of Governors approves the payment of salary to Mr. George J. Lavin as an officer of the Bank with the title of Assistant Cashier beginning November 15, 1950, through April 30, 1951, at the rate of \$7,200 per annum which, according to your letter of November 2, 1950, is the rate fixed by your Board of Directors."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

11/13/50

-3-

"It is noted from Mr. Parten's letter of October 30, 1950, to the member banks of your district that Mr. E. H. Berg, who was designated Acting General Auditor effective May 11, 1950, has resumed his position of Assistant General Auditor.

"In accordance with the Board's letter of August 3, 1948, S-1030, the Board of Governors approves the payment of salary to Mr. E. H. Berg as Assistant General Auditor at the rate of \$7,000 per annum for the period beginning November 1, 1950, through May 31, 1951."

Approved unanimously.

Telegram to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Relet October 31. In view your recommendation Board approves establishment and operation of branch in Novato, California, by 'Central Valley Bank of California', Richmond, California, provided proposed merger with Bank of Novato, Novato, California, is effected substantially in accordance with plan submitted, prior approval of State authorities is obtained and with understanding that Counsel for Reserve Bank will satisfy himself as to legality of all steps taken to effect merger and establish branch."

Approved unanimously.

Letter to Honorable Styles Bridges, United States Senate, Washington 25, D. C., reading as follows:

"This refers to your letter of October 30, 1950 relative to the recent amendment to this Board's Regulation W concerning consumer credit. You suggest that while it appears desirable to control instalment credit arising out of the sale of automobiles it is your fear that the present terms of the regulation are so restrictive as to concentrate sales in the used car field thereby artificially forcing up the price of used cars.

"We feel certain you will agree that it is

11/13/50

-4-

"difficult to consider Regulation W and its intended purposes apart from other monetary and fiscal policies all of which are directed at reducing heavy inflationary pressures. The regulation, of course, is designed primarily to dampen demand generally for consumer credit arising out of the sale of selected articles.

"Your point relative to a possible distortion of new and used car prices is an interesting one and one to which we have given careful thought. From an inflationary standpoint there would appear to be little difference whether credit is created as the result of the sale of a new car or of a used car. Moreover, due to the established price relationship between new and used cars, a dampening in demand for automobiles generally would not be expected to result in lower prices for new cars and at the same time in higher prices for used cars. To the extent that the regulation influences automobile prices it can be expected to influence all automobile prices in the same direction. For example, as new car buyers may drop down to late model used cars potential late model used car buyers may drop down to somewhat older models and in some instances potential buyers may drop out of the market entirely.

"You may rest assured that the Board is studying, and will continue to study, the effects of the recent amendment and it appreciates the opportunity to consider the opinions of your constituents."

Approved unanimously.

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

"As requested in your communication of October 26, we are returning herewith the letter dated October 22 addressed to you by Mr. John M. Zonich, of Raymond, Washington, and the enclosures mentioned.

"Mr. Zonich, who apparently is in the service station and marine supply business, described recent attempts on his part to obtain a bank loan of \$2,000 for various purposes. He mentioned that in each case his loan application was not approved, and apparently he inferred that the denials were due in part to this Board's Regulation W, Consumer Credit.

11/13/50

-5-

"This regulation, two copies of which are enclosed, applies to the instalment sale of the articles listed in Part 1 of the Supplement and to instalment loans in a principal amount of \$5,000 or less not exempt by Section 7. It is not entirely clear from the facts related by Mr. Zonich whether or not the loan he requested and to which he has referred would be subject to the requirements of the regulation. At one point, in referring to his reason for borrowing, he states that he desired the loan for various reasons including paying off his new car obligation. Whatever portion, if any, of his contemplated loan was for the purpose of refinancing an outstanding loan originally obtained for the purpose of purchasing an automobile would be subject to a maximum maturity provision of fifteen months. The other loan purposes mentioned would appear to exempt the loan from Regulation W by reason of Section 7(b). That section exempts any loan for business purposes to a business enterprise when the loan is not for the purpose of purchasing a listed article.

"While there are other Federal Reserve regulations affecting different types of credit, none of them would appear to apply to a loan for the purposes described by Mr. Zonich. It is entirely possible in this case, of course, that the commercial banks' own lending policy may have played a part in Mr. Zonich's inability to obtain the loan he desired.

"As a matter of general information, we are enclosing two copies of a statement on defense loan policy issued jointly on August 4, 1950 by National and State supervisors of banks and other lending institutions.

"If we can be of any further help, please do not hesitate to write us."

Approved unanimously.

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

"The following information relating to Regulation W has been received from a Federal Reserve Bank:

11/13/50

-6-

"It has come to our attention dealers in this area believe combination units including kitchen sink and dishwasher manufactured by Youngstown are subject to Group D terms. In our opinion dishwasher is "mechanical" and we are advising them that such combinations are subject to terms under Group B. Misunderstanding apparently results from ruling by FHA in July 1950 that such combination units might be included under FHA Title 1 loans, whereas Youngstown dishwasher as a separate unit would not qualify."

"The Board concurs in the opinion expressed above and has so informed the Federal Housing Administrator. A copy of the Board's letter in that connection is attached."

Approved unanimously.

Telegram to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"You will note that our wire W-100 of today is a reply to the Regulation W portion of your wire of October 30. After careful consideration it was felt that the distinction between residential and other housing facilities in call report instructions for Schedule A, Item 6, was less suited to Regulation W than to the call report, and that for the purposes of Regulation W it would be preferable to rely exclusively upon the clearly defined operation of the \$2500 cut-off rather than attempt to draw a distinction which would be difficult to apply in many situations arising under Regulation W.

"Your similar question under Regulation X in your wire of October 30 is being handled separately."

Approved unanimously.

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

11/13/50

-7-

"A structure is not 'designed exclusively for nonresidential use' within the meaning of Group D of the Supplement to Regulation W merely because it is used, or designed for use, as a motel, tourist court or ordinary hotel. Of course, repairs, alterations and improvements upon such structures will be exempted from the regulation in many cases by the \$2500 ceiling applicable to such credits under section 7(a) of the regulation."

Approved unanimously.

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

"In reply to inquiries concerning the application of Regulation X to motels and tourist courts, it is the Board's opinion that the fact that a structure is used, serving or designed for transient or temporary occupancy, rather than permanent occupancy, does not prevent the structure from being a residence within the meaning of section 2(k) of Regulation X. However, in accordance with the provisions of the Supplement to Regulation X, the maximum loan value may be applied separately with respect to each structure if the Registrant so desires."

Approved unanimously.

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

"Board has reconsidered views expressed in S-1181 (X-10) concerning effect of modification of commitments in connection with section 6(b) of Regulation X and has concluded that some extensions of time should be permissible. Accordingly, we are sending you today a separate telegram, S-1196 (X-16) which is a revision of and supersedes S-1181 (X-10)."

Approved unanimously.

11/13/50

-8-

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

"Section 6(b) of Regulation X provides that the provisions of the regulation shall not apply to or affect any credit extended pursuant to any firm commitment to extend credit made prior to the effective date of the regulation. Questions have been raised concerning the application of this provision where firm commitments made prior to the effective date of the regulation are modified subsequent to that date by (1) substituting a new borrower for the one named in the commitment, (2) increasing the amount which the Registrant is committed to lend in order to cover increases in construction costs, or (3) extending the time within which the Registrant is committed to make the loan. It is the Board's opinion that credit extended pursuant to such a modification of a prior commitment is not exempt from Regulation X except in the case of reasonable extensions of time in accordance with customary practices where the closing of loans is delayed by title difficulties, unforeseen delays in the completion of construction, or comparable circumstances."

Approved unanimously.

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

"Board hereby rescinds request contained in telegram of November 2, 1950, that you not issue any certificates of exemption under section 5(g) of Regulation X until further notice."

Approved unanimously.

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



11/13/50

-9-

"After consultation with the several guaranteeing agencies, there has been adopted a standard form for use by the guaranteeing agencies in authorizing the execution of guarantee agreements by the Federal Reserve Banks as fiscal agents of the United States under the Defense Production Act of 1950 and the President's Executive Order No. 10161. A copy of the form of authorization, which follows generally the corresponding form used during the V-loan program of World War II, is enclosed for your information.

"In wiring the Federal Reserve Banks advice of authorizations of guarantees, the Board will use the code word AJOTE, which is the same as that authorized in 1944 in connection with the V-loan program of World War II; but henceforth such code word will have the following new definition:

"The (A) \_\_\_\_\_ has authorized your Bank as fiscal agent of the United States to execute and deliver a guarantee agreement on the standard form of September 27, 1950 with respect to a loan made by (B) \_\_\_\_\_ to (C) \_\_\_\_\_. Amount of loan, percentage of guarantee, and terms and conditions are as recommended by you except as follows: (D) none; principal amount of loan not to exceed (E) \$ \_\_\_\_\_; percentage of guarantee shall be (F) \_\_\_\_\_%; other terms and conditions are modified as follows: (G) \_\_\_\_\_. Such guarantee agreement shall bear number (H) \_\_\_\_\_. Original of authorization follows. Authorization is effective only if guarantee agreement is executed and delivered within 30 days from the date of authorization, unless authorization is hereafter extended."

Approved unanimously.

Letter to Honorable Jesse M. Donaldson, Postmaster General, Washington, D. C., reading as follows:

"This is to confirm the understanding stated in your letter of June 29, 1950, with respect to participation by the Federal Reserve System in the proposed plan for the issuance and collection of postal money orders in card form.

11/13/50

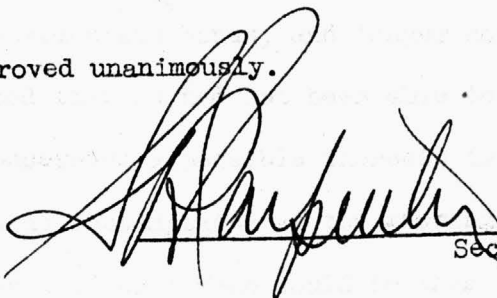
-10-

"The Federal Reserve Banks have expressed their willingness to cooperate with and assist the Post Office Department in giving effect to the proposed plan (including the punching of the dollar amount of money orders with the aid of 'proof punching machines' to be made available by the International Business Machines Corporation) along the lines indicated in your letter and in discussions of the plan at meetings on June 21-23 and November 1, 1950, between representatives of the Post Office Department and the Federal Reserve Banks.

"As a part of the proposed arrangement, it is agreed that the Federal Reserve Banks will be partially reimbursed by the Post Office Department for the work performed by them and that such reimbursement will be at the rate of \$3.00 per thousand money orders for the first year of operation, with the understanding that prior to the end of that period representatives of the Post Office and the Reserve Banks will meet to decide upon the basis for reimbursement for succeeding years in the light of actual experience.

"Representatives of the Federal Reserve Banks will be pleased to meet further with representatives of your Department for the purpose of working out all details of the proposed arrangement, including the drafting of such formal agreement between the Post Office Department and the Reserve Banks as may be considered desirable, and necessary arrangements with the Treasury Department. We wish to assure you again that the Federal Reserve System will seek to cooperate in every way possible in the establishment and development of the proposed plan."

Approved unanimously.



Secretary.