Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, November 27, 1950.

PRESENT: Mr. McCabe, Chairman  
Mr. Szymczak  
Mr. Evans  
Mr. Vardaman  
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 24, 1950, were approved unanimously.

Memorandum dated November 21, 1950, from Mr. Leonard, Director of the Division of Bank Operations, recommending an extension of the appointment of A. A. Moore as a night settlement clerk in that Division, to work regularly each Friday night in the Settlement and Currency Section, at a rate of $7.50 per night of his employment, through the year 1951.

Approved unanimously.

Letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of November 21, 1950, enclosing a certified copy of a resolution adopted by the Board of Directors of the South Side Bank, Bay Shore, New York, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.  
"As requested, the Board of Governors waives the requirement of six months' notice. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the South Side Bank, Bay Shore, New York, you are authorized to cancel such stock and make
"appropriate refund thereon. It is noted that the bank is withdrawing because it does not have the $300,000 minimum capital stock required by Federal statutes for the establishment of an out-of-town branch in Brentwood, a nearby community, the establishment of which has been approved by the State authorities.

"Please advise when cancellation is effected and refund is made. The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective."

Approved unanimously.

Letter to Honorable John C. Stennis, United States Senate, Washington, D. C., reading as follows:

"The enclosed letters dated November 9 and November 10 from I. S. Barnes, Inc. and Neill Brothers of Jackson, Mississippi, relating to Regulation W were received with your letter of November 14. As you mentioned, both of your constituents suggest that 'trade-ins' of old appliances should be permitted to apply against the required down payment on new appliances.

"There are basic reasons for the differences in treatment under Regulation W of trade-in allowances in the case of automobiles and trade-in allowances in the case of the other articles listed in the Supplement to Regulation W. There is an active market for used automobiles which has been reflected in widely recognized retail values for the different models and makes. Reflecting this situation there are several publications of average retail values of used automobiles by models and makes which, as described in Part 4 of the Supplement to Regulation W, can be and are used to prevent widespread avoidance of the down payment provisions of the regulation as they apply to the installment sale of used automobiles. Also it has been traditional in the trade for many years to permit the owner to transfer the value of his used car as a part of
"the purchase price of and down payment for a replacement automobile.

This condition does not prevail in the appliance market. There is no established pattern of retail market prices for used appliances by models and makes. While automobiles are traded after relatively short periods, appliances are usually held by the original purchaser for considerably longer periods, and a used appliance market which might result in definite price patterns as to makes and models comparable to that for automobiles simply does not exist. Normally, trade-in allowances for used appliances are more in the nature of a sales discount and are so regarded by the trade.

It is recognized that in the administration of any such measure as Regulation W there are bound to be hardships to particular businesses and individuals. We sincerely trust that the present limitations of the regulation will not have the unfortunate consequences predicted by Mr. R. H. Neil. While it is likely that the restraint on the continuous rapid expansion of purchasing power imposed by present fiscal and credit policies will result in readjustments all along the line, it would seem that once these readjustments are made to a more sustainable level of expenditures and the present inflationary spiral is checked, the general public and business will benefit. On the other hand, if the inflationary spiral is not restrained exceedingly serious consequences will accrue to the nation as a whole.

"Thank you for making the views of your constituents available to us. If we can be of any further assistance, please do not hesitate to let us know."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks,

reading as follows:

"The Board is considering the advisability of amending Regulation X so as to make it apply to
multiple family housing and there are enclosed herewith copies of a preliminary draft of a revision of the regulation for this purpose. This revision includes a few minor or clarifying changes in the provisions of the regulation applicable to one and two family houses.

"You will observe that the regulation as drafted provides for the determination of value of multi-unit residences on what in most cases would be an actual cost basis. This, however, is entirely tentative and we would like your comment as to whether actual cost should be applied in such cases or whether some other basis for determining values of multi-unit residences would be preferable. In this connection, we would appreciate your views as to the possibility of using 'appraised value' as a basis and, if this basis is to be used, whether such appraised value shall be determined by independent appraisers, by appraisers approved by the Federal Reserve Banks, or whether the appraisals shall be made or approved by the Federal Reserve Banks.

"In addition, we will appreciate receiving your suggestions and comments concerning any aspect of this matter and particularly the following:

1. Should the regulation apply to hotels and similar structures as well as to apartments and other residences with more than two families? If not, is there any practical basis for distinction between hotels on the one hand and apartments, rooming houses, and similar structures on the other?

2. Is it desirable that there be any exemption for contemplated construction of multi-unit residences similar to the provisions of section 5(g) of the Board's regulation?

3. Any other comments with respect to the substance or the form of the proposed amendments regarding multiple family housing, including any comments you may have on the several questions interpolated in the text of the draft of the regulation.

4. Any suggestions regarding matters of substance or of form in the existing provisions of the regulation applicable to one and two family houses which it might be desirable to clarify or remedy at this time.
"You are at liberty, if you wish, to consult on a confidential basis with respect to this draft of regulation with persons whose views you feel would be helpful in consideration of this matter. The regulation is, of course, not for disclosure to the public generally at this time.

"Please let us have your comments and suggestions in this matter not later than December 6, 1950, in order that the Board may complete its consideration of the proposed revision at the earliest possible date."

Approved unanimously.

[Signature]

Secretary.