

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, December 14, 1950.

PRESENT: Mr. Vardaman, Chairman pro tem.
Mr. Norton

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Memorandum dated December 7, 1950, from Mr. Marget, Director of the Division of International Finance, recommending the appointment of Henry A. Bates as a messenger in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,252 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated December 12, 1950, from Mr. Bethea, Director of the Division of Administrative Services, stating that F. L. Watkins, a senior mail clerk in that Division, will attain the age of 65 on December 29, 1950, and that he has filed application for retirement effective January 1, 1951.

Noted.

Memorandum dated December 13, 1950, from the Division of Examinations, recommending increases in the basic annual salaries of the following employees in that Division, effective December 24, 1950:

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<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
J. F. Clark	Asst. Federal	\$4,575	\$4,725
E. F. Kipfstuhl	Reserve Examiner		
	Asst. Federal	3,575	3,825
L. M. Schaeffer	Reserve Examiner		
	Asst. Federal	3,700	3,825
J. Calvin Smith	Reserve Examiner		
	Asst. Federal	3,225	3,450
W. R. Corkhum	Reserve Examiner		
	Asst. Federal	3,575	3,700
W. S. Hall	Reserve Examiner		
	Asst. Federal	3,575	3,700
P. C. Rachford	Reserve Examiner		
	Asst. Federal	3,825	3,950
	Reserve Examiner		

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"This is in reply to your letter of December 6 inquiring how soon it would be convenient for the Board to release Mr. Dale M. Lewis in order that he may return to your Bank.

"We had hoped that Mr. Lewis could remain with us until December 22, and trust that this will be agreeable to you.

"At this time the Board wishes to express its appreciation of the very real contribution Mr. Lewis has made to the Regulation W work. His participation in the planning for the reinstatement of the Regulation, as well as in the administration of the Regulation after it was issued, has reflected great credit both on himself and on the Federal Reserve Bank of St. Louis.

"The Board appreciates your cooperation in making Mr. Lewis' services available to the Board during the past five months."

Approved unanimously.

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Letter to the Board of Directors, Bankers Trust Company,
New York, New York, reading as follows:

"Pursuant to the request contained in your letter of December 6, 1950, submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System hereby gives written consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the purchase of certain assets and assumption of certain liabilities of Flushing National Bank in New York by the Bankers Trust Company, substantially in accordance with the agreement between the parties dated December 5, 1950, without increasing the capital and surplus of the Bankers Trust Company.

"It is understood that approval of the proposed transaction will be obtained from the appropriate State authorities."

Approved unanimously together
with the following letter to Mr.
Wiltse, Vice President of the Federal
Reserve Bank of New York:

"Reference is made to your letter of December 8, 1950, submitting the request of the Bankers Trust Company, New York, New York, for the Board's consent to its absorption of the Flushing National Bank in New York, Flushing, New York, without increasing the capital and surplus of Bankers Trust Company to amounts which will equal the total capital and surplus, respectively, of the two banks involved in the absorption.

"It is understood that Bankers Trust Company has applied to the State authorities for approval of the proposed absorption and establishment of a branch.

"In view of your favorable recommendation, the Board of Governors has given its consent, under the provisions of Section 18(c) of the Federal Deposit Insurance Act, to the completion of the transaction. A letter addressed to the applicant bank is enclosed, together with an extra copy for your files. Please transmit the original letter to the Board of Directors of Bankers Trust Company.

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"It is understood that counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken in effecting the absorption."

Letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the recommendation contained in your letter of December 11, 1950, the Board of Governors extends to January 31, 1951, the time within which the Bank of Pontiac, Pontiac, Illinois, may accomplish membership. Please advise the applicant to this effect."

Approved unanimously.

Letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"There is enclosed a copy of a letter dated December 2, 1950, from the Peoples National Bank of Bay City, Bay City, Michigan, requesting the Board's opinion as to whether Bay Trust Company must secure a voting permit in order to vote stock of the national bank held by the trust company as trustee. A copy of the Board's letter to the national bank advising that the matter has been referred to your bank for consideration is also enclosed.

"From the limited facts presented, the Board does not feel warranted in reaching a conclusion, but it seems probable that the trust company does not control a majority of the shares of the capital stock of the national bank or more than 50 per centum of the number of shares voted for the election of directors of the bank at the preceding election, or control in any manner the election of a majority of the directors of the national bank.

"It will be appreciated if you will ascertain such additional facts as may be necessary and advise the national bank of your conclusion."

Approved unanimously.

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

"It is desired that the regular annual reports of holding company affiliates on Form F.R. 437 be obtained for the year ending December 31, 1950, or for the holding company affiliate's latest fiscal year if it differs from the calendar year. Accordingly, please request each holding company affiliate which has its principal executive office in your district, and which holds a general voting permit, to file such a report in duplicate with your Bank not later than February 1, 1951. However, if the annual audit of any such holding company affiliate by public accountants has not been completed by that date, the holding company may, if it so desires, await the completion of the audit, provided that its report to the Board is filed as soon as practicable thereafter.

"Please inform us as to the number of copies of Form F.R. 437 which your Bank will need, in excess of its present stock, in obtaining the reports of holding company affiliates in your district. The form has not been revised.

"It is requested that the annual reports of the holding company affiliates for 1950 be obtained and processed by your Bank in the same manner as the previous annual reports of holding company affiliates. This contemplates that one copy of each report will be forwarded to the Board immediately after receipt by your Bank, to be followed as soon as practicable by such additional data and explanations as you may find it necessary to obtain from the respective holding company affiliates to complete or correct their reports. It is contemplated also that, when your Bank has analyzed and reviewed the reports of examination by the supervisory authorities of the banks and their affiliated organizations in each group, and has completed the review of each report filed by a holding company affiliate, a copy of the memorandum relating to the review will be forwarded to the Board, together with any recommendations, comments, or suggestions which you may have regarding each case."

Approved unanimously.

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

"Retel December 12, your understanding is correct that letter S-1220 does not supersede approval for minimum needed construction at San Francisco."

Approved unanimously.

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

"This refers to the letter you received from the Houston Association of Retail Furniture Dealers, Inc., which you referred to us, and which we are returning herewith as you requested.

"The Association states that its members 'favor Federal Credit Controls, known as Regulation W, as set forth governing extension of installment sales.' It also requests 'cooperation with the Retail Furniture Dealers representatives, in allowing us full consultation and consideration before any changes be made in Consumer credit governing retail home furnishings.'

"The Board appreciates the statement of the Association that it favors the present terms of Regulation W.

"It has always been the policy of the Board to consult with those affected by its regulations wherever it is practicable and consistent with the public interest. The Board naturally follows the same policy in connection with Regulation W.

"In fairness to the Association, however, we feel that we should point out that consultation is not always possible. As Senator Sparkman stated on August 10, 1950, (Congressional Record, p. 12378) in explaining the legislation under which Regulation W is issued:

'Of course, there will be some occasions where it would not be appropriate to consult in advance. There may not be time, when speed is vital. Sometimes giving advance notice of a proposed restriction would defeat the purpose of the restriction, or consulting

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"'a few people in an industry would give them an unfair advantage over the rest of the industry.'

"We wish to assure you and the Houston Association that the Board appreciates the interest of the Association's members in the subject, values their views highly, and will be happy to give their viewpoint every consideration consistent with the factors mentioned above and the general public interest.

"Regulation W is administered on a decentralized basis through the 12 Federal Reserve Banks and their 24 branches. We are sending a copy of this letter and the Association's letter to the Federal Reserve Bank of Dallas, and we would suggest that the Association keep in touch with the Houston Branch of the Federal Reserve Bank of Dallas, which will be glad to forward their views to the Board here in Washington and also be of any other assistance that it can."

Approved unanimously.

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

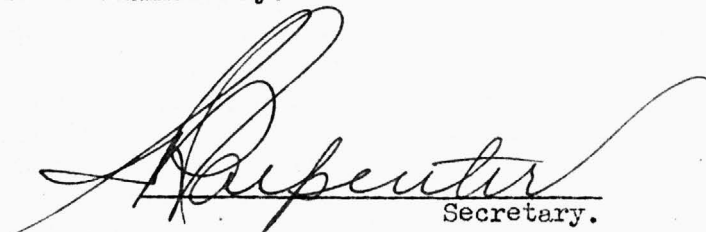
"Reurlet October 28, 1950 you raised two questions involving financing by either FHA or VA. As we understand the facts in the first question FHA or VA issued a commitment prior to October 12 and construction started after that date. Under the terms of the commitment, additional borrowing secured by other assets of the borrower was contemplated by all the parties although no commitment for secondary borrowing was actually given by the Registrant prior to October 12. Where these are the facts, in view of the equitable considerations involved, the Board will offer no objection to the additional borrowing even though this causes the total credit to exceed the maximum loan value of Regulation X. As we understand it your telegram of November 22 relates to a case which falls within the category just described. The second question raised in your letter of October 28 relates to a commitment made by either FHA or VA prior to October 12 in connection with construction started after October 12 but the secondary borrowing was not contemplated by the parties at the time the commitment

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"was made. The secondary borrowing in this situation came at a later date and arose in connection with a second mortgage or a resale and assumption of the original mortgage by a new buyer. In this situation there is a violation of Regulation X if the additional financing brings the total credit above the maximum loan value. If our statement of the facts of the above situations is not accurate, please advise."

Approved unanimously.


Secretary.