

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 4, 1951. The Board met in the Board Room at 2:35 p.m.

PRESENT: Mr. McCabe, Chairman  
Mr. Evans  
Mr. Vardaman  
Mr. Norton  
Mr. Powell

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Vest, General Counsel  
Mr. Ralph A. Young, Director, Division of Research and Statistics  
Mr. Phelan, Acting Director, Division of Selective Credit Regulation  
Mr. Baumann, Assistant General Counsel  
Mr. Noyes, Assistant Director, Division of Selective Credit Regulation  
Mr. Walter H. Young, Assistant Counsel  
Mr. Eastburn, Assistant, Division of Selective Credit Regulation

Before this meeting there had been sent to the members of the Board a memorandum from Mr. Vest dated January 3, 1951 to which was attached a draft of a revision of Regulation X, Residential Real Estate Credit, designed to bring within the scope of the regulation apartment houses and other similar structures known as "multiple family or multi-unit residences". The draft also included certain amendments to the existing provisions of the regulation relating to one- and two-family residences. At Chairman McCabe's request, the memorandum was read, following which Mr. Norton stated that with

1/4/51

-2-

the possible exception of the provisions of the proposed regulation with respect to defense housing and veterans' preferences accorded by States and State housing programs, he would recommend that the regulation be adopted by the Board subject to formal clearance with the Administrator of the Housing and Home Finance Agency.

In a discussion of the question whether the amended regulation should provide that the Board would grant different terms than those specified in the regulation for housing essential to the national defense, Chairman McCabe suggested that provision be made that such terms would be granted only when requested by the Director of the Office of Defense Mobilization and the Administrator of the Housing and Home Finance Agency.

At the conclusion of a discussion of this point, it was agreed unanimously that the matter would be taken up informally with the Office of Defense Mobilization and the Housing and Home Finance Agency and in the absence of objection from these offices, the regulation would be changed to provide that whenever the Administrator of the Housing and Home Finance Agency, after consultation with the Director of the Office of Defense Mobilization, recommended that special terms be granted for a specific defense housing project such action would be taken by the Board of Governors.

Following a discussion of the paragraphs in the regulation relating to veterans programs under State law and State housing programs, it was also agreed

1/4/51

-3-

unanimously that the paragraphs should be retained and that the latter should be expanded to cover extensions of credit to public corporations created pursuant to a public housing program of a municipality as well as of a State.

Mr. Solomon, Assistant General Counsel, joined the meeting at this point.

Pursuant to the understanding at the meeting on December 29, there followed a discussion of margin requirements during which it was understood that no action would be taken at this time with respect to changing such requirements but that the matter would be considered at a later meeting of the Board. In this connection, reference was made to Mr. Szymczak's position that, after intensive study of all aspects of the stock market credit situation, he had concluded that the imposition of a margin requirement level of 75 per cent combined with elimination of withdrawal privileges would not be justified at this stage, but that he would strongly recommend that the Board act now to increase margin requirements to 60 per cent in view of the recent expansion in stock market credit and volume of trading, the rapid growth of private credit generally, the expanding business and economic situation which were encouraging stock market activity and speculation, and also because a further substantial price advance supported by rapid expansion of stock market credit was a real danger.

1/4/51

-4-

Mr. Vardaman referred to previous discussions of his suggestion that the regular meetings of the Board be scheduled on Tuesdays and Thursdays rather than on Tuesday and Friday of each week.

Following a discussion, it was agreed unanimously that hereafter the regular meetings of the Board would be held on Tuesdays and Thursdays, with the understanding that a docket would be circulated for each meeting which would list the specific items for consideration and if there were no matters on the agenda the docket would so state.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, and Kenyon withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 3, 1951, were approved unanimously.

Letter to Mr. Samuel I. Katz, Board of Governors of the Federal Reserve System, Washington, D. C., reading as follows:

"The Board of Governors hereby authorizes you in your capacity as economist in the Division of International Finance to proceed to England for a period of approximately six weeks plus travel time, beginning on or about January 21, 1951. It is understood that you will undertake a study of the British domestic financial situation and the balance of payments prospects of the United Kingdom, and that during the course of this study you will visit the Bank of England, bankers and businessmen in London, and economists in London and near-by universities.

"Your actual necessary transportation expenses, in accordance with the Board's travel regulations, will be paid from funds under the control of the

1/4/51

-5-

"Board, and you will be allowed a per diem in lieu of subsistence at the rate of \$10 while in London, and at the rate of \$8 while traveling in other parts of England on official business. While en route to London and return, you will be allowed per diem or expenses in accordance with the Board's travel regulations.

"It is requested that you retain the original of this letter and that the file copy, after being initialed by you, be returned to the Board's files."

Approved unanimously.

Letter to Mr. Boyd, Chief Examiner of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of December 27, 1950, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Cleveland:

<u>Head Office</u>	<u>Cincinnati Branch</u>
Boanas, Arthur T.	Brehm, Robert J.
Cassell, Paul H.	Bobinger, William L.
Deady, Daniel J.	Comarata, Vincent J.
Evans, Howard O.	Walters, Albert L.
Kunz, Robert H.	Wald, Jack
Ormiston, Thomas E.	
<u>Pittsburgh Branch</u>	
Cedel, Emil E.	

"Appropriate notations have been made in the Board's records of the names reported as deletions."

Approved unanimously.

Letter to Mr. Shepard, Federal Reserve Agent of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of December 28, 1950, the Board of Governors approves effective January 1, 1951, the appointment of Mr. Walter S. Ferrian as Assistant Federal Reserve Agent at his present salary of \$5,500 per annum, to succeed Mr. Clayton E. Tillander.

1/4/51

-6-

"This approval is given with the understanding that while serving as Assistant Federal Reserve Agent Mr. Ferrian will remain on the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Board of Governors for the proper performance of his duties. When not engaged in the performance of his duties as Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent, and the President, perform such work for the Bank as will not be inconsistent with his duties as Assistant Federal Reserve Agent.

"Mr. Ferrian should execute the usual oath of office for the new position which should be forwarded to the Board of Governors."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves, as requested in your letter of December 27, 1950, the payment of salary to John R. Snow at the rate of \$3793.20 per annum which is in excess of the salary maximum of the position in which his present duties are classified."

Approved unanimously.

Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"As requested in your letter of December 27, 1950, the Board of Governors approves the payment of salary to the following employees at the rates indicated for the period January 1, 1951, through June 30, 1952:

<u>Name</u>	<u>Annual Salary</u>
Maude Lindenberg	\$2112
Roy Shaw	3000
J. V. Refregier (Omaha Branch)"	4774

Approved unanimously.

1/4/51

-7-

Telegram to Mr. Hodgkinson, Chairman of the Federal Reserve Bank of Boston, authorizing him to issue a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to "New Hampshire Bankshares, Inc.", Nashua, New Hampshire, entitling that organization to vote the stock which it owns or controls of "The New Market National Bank", Newmarket, New Hampshire. The condition contained in the telegram upon which the permit was authorized is as follows:

1. Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

Approved unanimously.

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

"Following statement to be given to press for release in afternoon papers on Friday, January 5, 1951:  
 'Preliminary figures received from the Federal Reserve Banks indicate that during the year 1950 their current earnings amounted to \$275 million, a decrease of \$41 million compared with 1949. This decrease was the result of lower earnings on U. S. Government securities, reflecting a smaller volume of holdings and a shift from higher-yield to lower-yield securities. Current expenses were \$80 million, leaving current net earnings of \$195 million, or \$44 million less than in 1949. Net additions to current net earnings, mostly profits on sales of U. S. Government securities, amounted to \$36 million, making \$231 million net earnings before payments to the United States Treasury. Payments to the United States Treasury as interest on outstanding Federal Reserve notes were \$196 million, and payments of dividends to member banks, as required by the Federal Reserve

1/4/51

-8-

"Act, amounted to \$13 million. Remaining net earnings of \$22 million were added to surplus."

Approved unanimously.

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

"Enclosed herewith is a copy of a letter dated December 15, 1950, from Mr. Charles R. Barrett of Chicago concerning the application of section 3(c) of Regulation W to custom-built combination storm windows and screens manufactured and sold by the Dodge Window Company of Oak Park, Illinois. Also enclosed is a copy of our reply to Mr. Barrett.

"The question raised by Mr. Barrett's letter was discussed by a member of the Board's staff with Mr. Barton of your Bank.

"While the language of the regulation would sustain the interpretation quoted by Mr. Barrett, we understand that you recognized that a less restrictive view would also be permissible and perhaps more workable, especially in those cases where a home modernization project includes both Group B and Group D articles.

"Storm windows and screens, of course, constitute 'repairs, alterations, or improvements' under Group D (W-69), and section 3(c) requires that the minimum down payment be obtained 'at or before the time of beginning the agreed upon repairs, alterations, or improvements'. Inasmuch as the repairs, alterations, or improvements covered under Group D are 'in connection with existing structures', the Board is of the view that the above requirement of section 3(c) will be met if the required down payment is obtained at or before the time of delivery of the Group D article for installation in or upon the existing structure to which it relates.

"It would seem appropriate that, in making further reply to Mr. Barrett, the foregoing view be indicated as either the view of the Board or the view of your Bank following a reconsideration of his question.



1/4/51

-9-

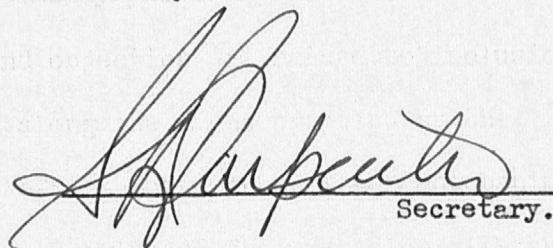
"The view expressed herein is the subject of an S-letter of this date."

Approved unanimously.

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

"An inquiry has been received concerning the application of Regulation X to loans which are made by banks and other lending agencies pursuant to commodity loan programs of the Commodity Credit Corporation and which the Commodity Credit Corporation is committed to purchase. It is the Board's view that such loans should be regarded for this purpose as loans guaranteed by a wholly owned Government corporation and that, therefore, they do not constitute real estate construction credit as defined in section 2(e) of Regulation X and are not subject to Regulation X."

Approved unanimously.

  
Secretary.